

Unforeseen success:

The effect of sanctions in the case of Myanmar

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ABSTRACT

Myanmar has gone through major changes since 2010, and this has led Western powers to lift most of the sanctions that they have imposed on the country since 1988. This thesis asks whether the sanctions were instrumental in generating the Myanmar government's decision to reform. Studies on sanctions are generally pessimistic about the prospect of imposed sanctions being successful. Similarly, studies on the effect sanctions against Myanmar did not predict that sanctions would have an effect.

Rational choice theory holds that sanctions will be effective if their cost outweigh the cost of compliance. If a target with complete information finds it rational to comply, it will do so when faced with the threat of sanctions, to avoid them being imposed. A target can comply after sanctions are imposed, if it initially miscalculated the likelihood of sanctions or the cost of sanctions, or if it believed that sanctions would be imposed regardless of whether it complied. This thesis seeks to identify whether the sanctions imposed on Myanmar had any effect by considering whether it made, and eventually corrected, any of these miscalculations.

The thesis finds that sanctions came to play a role in Myanmar when their relative cost increased more than could have been predicted at the outset. The unexpected increase of the cost was partly because the sender states increased the sanctions incrementally over a large period of time, but it was equally important that sanctions indirectly affected Myanmar through forcing it into a closer relationship with its neighbouring states, particularly China. The increasing Chinese dominance in Myanmar decreased the benefits of status quo to the point where it was rational to comply with the Western demands. The Myanmar government consolidated its power through political reforms, which made it possible for them to comply with demands without sacrificing their security. I term the effect of sanctions an *unforeseen success*, because neither the sender states nor the target could have predicted the increased relative cost of sanctions through the indirect effects.

The findings of this thesis suggest that it would be useful to extend the sanctions theory by including indirect effects of sanctions.

ACKNOWLEDGEMENTS

I was born during the 8/8/88 protests in Myanmar, while security forces massacred protesters in thousands. I have known Myanmar as one of the worst regimes in the world my whole life, until news of reforms began to emerge from the country at the end of 2010. I want to thank everyone who have helped me trying to understand these developments.

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LIST OF ABBREVIATIONS

ASEAN – Association of Southeast Asian Nations

ASEM – Asia-Europe Meetings

BFDA – Burmese Freedom and Democracy Act

GSP – General System of Preferences

ILO – International Labour Organisation

NLD – National League for Democracy

SLORC – State Law and Order Restoration Council

SPDC – State Peace and Development Council

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1. INTRODUCTION

1.1 RESEARCH QUESTION

Myanmar has been a target of comprehensive international sanctions since the end of the Cold War. The sanctions were imposed in response to grave human rights violations.¹ The most extensive sanctions were imposed by Western countries. The Western governments demanded major political and human rights improvements in return for lifting these sanctions. These demands included freeing political prisoners, ending the practice of forced labour and respecting the results of the 1990 elections, when the military government lost to the National League for Democracy (NLD) led by Aung San Suu Kyi.

For many years Myanmar resisted these demands. However, after Thein Sein was elected president by the newly elected National Assembly in March 2011, his government undertook many of the changes that had been demanded. The human rights situation improved in compliance with Western demands. Hundreds of political prisoners have been released, including Aung San Suu Kyi and other opposition leaders. The country has successfully held fair and free supplementary elections to parliament, and Aung San Suu Kyi was among those elected. In addition, the army's use of forced labour and child labour has decreased, and pre-publication censorship of the media has stopped. Most international sanctions against the country have been lifted in response to these changes. This thesis seeks to answer the question:

Were the political changes in Myanmar caused by the EU and US sanctions?

It focuses on the economic and political sanctions imposed by the Western powers; the European Union and the United States.² This is because they imposed the most

¹The military regime changed the English name of the country from the colonial name Burma to Myanmar in 1989. The UN recognises the new name, but the Myanmar political opposition and some organisations and countries continue to use the old name. For simplicity, I use the name Myanmar for the country throughout the period, except when Burma is used in direct quotes. This is without political intent.

² *Western powers* in this thesis mean the European Union and the United States. While I refer to the differences between the European Union and the United States at many points throughout the thesis, I shall differentiate between the two only when their policies differ. When actions taken by the two powers were similar or had similar effects I speak of *Western sanctions*. The thesis considers the

comprehensive sanctions, and because they both have large economies and international influence that could increase the impact of sanctions. I conclude on the sanctions effect on Myanmar politics, and only focus on their impact on daily life in Myanmar to the extent it is relevant for analysis of their political effect. The political changes include both those occurring under former President Than Shwe's rule leading up to semi-democratic elections in 2010, and those that have occurred since the 2011 instalment of a nominally civilian government with Thein Sein as president.

1.2. LITERATURE REVIEW

Despite the popularity of sanctions as a policy tool, scholars have in general not been optimistic about their effect in coercing policy changes. A number of both quantitative and qualitative studies assessed the effects of sanctions. The first major quantitative study on the effects of sanctions was made by G. C. Hufbauer, Jeffrey J Schott and Kimberly Ann Elliott in 1985 and updated in 1990. It examined all the cases of economic sanctions they could identify to date. They concluded that sanctions had positive effects in 34% of the 116 cases examined (Hufbauer et al. 1990: 93). However, when re-examining their data set, Robert A. Pape (1997) lowered the estimated success rate to less than 5%. The remaining success cases, Pape argued, could be credited to factors such as the threat of military action.

The focus in sanctions research has expanded to under what circumstances they can have an effect. Pape (1997) concluded that sanctions can be effective in cases where modest policy goals are sought; when the targeted state has little to lose from adapting to the demands of the sender states. Dragan Miljkovic (2002) expanded on this. He conducted a quantitative study based on interviews with experts in the field to assess which conditions they consider necessary for sanctions to be effective. The study found a consensus on six conditions for sanction effectiveness:

European Union as a unitary actor because its member states agreed to align their policies towards the country. While some EU member states imposed additional sanctions, this was also the case of some US states. I will use the term *European Union* about the union for the whole time period, even though it only adopted that name in 1993.

1. Modest policy change is sought,
2. Sanctions are comprehensive; i.e. both trade and financial sanctions are imposed,
3. The target does not receive significant support from a third party,
4. The sender has much greater economy than the target,
5. There is international co-operation in the imposition of sanctions,
6. The target is economically and politically weak and unstable

(Miljkovic, 2002: 1)

Dursun Peksen and A. Cooper Drury (2009) have analysed side-effects of sanctions for more comprehensive conclusions of their effects. In a quantitative study, they look at the effect sanctions have on the politics of the sanctioned country. They concluded that sanctions have generally worsened the targeted government's respect for human rights and democratic freedoms, such as freedom from extrajudicial killings, torture and imprisonment. Their studies show that "economic coercion unintentionally creates conditions that permit the leadership in target countries to consolidate its hold on power and increase the use of political repression" (Peksen and Drury, 2009: 395).

There is a discrepancy between the popularity sanctions have gained since the end of the Cold War and researchers' findings regarding their effectiveness as a tool in international politics. Why are sanctions still used as a policy tool when studies largely fail to identify positive outcomes? There are two different explanations for this. Firstly, James M. Lindsay (1986) and Francesco Giumelli (2011) have both concluded that sanctions are not always imposed in order to make changes in the target country. They can have different objectives, and in most cases their primary function is to send a signal. Through sanctions, a government can demonstrate to domestic constituencies and foreign observers that it is tough on human rights violators. Johan Galtung claimed that the criteria for success in cases of sanctions are not as strict as with other policy choices. Even if sanctions have no effect on a state's policies, "there is at least the gratification that derives from knowing (or believing) that the sinner gets his due, that the criminal has been punished" (Galtung 1967: 380f). Thus, a state can impose sanctions as a means to improving its reputation as someone dedicated to human rights.

The second group of researchers employ a game theoretical perspective. Daniel W. Drezner (2003) questioned that states would impose sanctions with only a minimal chance of success. As states are rational actors, they would only choose a relatively costly policy like sanctions if the benefits were likely to outweigh the costs. He held that the negative reputation sanctions have acquired in research is in fact a result of selection bias. Drezner holds that imposed sanctions are the result of the threat of sanctions failing. Thus, all threats of sanctions should be analysed in order to conclude on the tool's effectiveness, not only those that end with imposed sanctions. Sanctions are always preceded by implicit or explicit threats, and sanctions are only imposed when the target state fails to comply with these threats. If the sender state fails to impose sanctions when a threat of sanctions has failed, similar threats will lose credibility in the future. This explains why rational states impose sanctions even if they are aware of their limited chance of success.

In cases of imposed sanctions, the target state has already considered the costs and benefits of both compliance and sanctions, and found that their preferred outcome is imposed sanctions. They are therefore not likely to have an effect once imposed. Jon Hovi, Robert Huseby and Detlef E. Sprinz (2005) expand on this by adding that imposed sanctions can be effective if the target had incomplete information about the sanctions and therefore failed to make a cost-optimal decision before the sanctions were imposed.

This thesis is not the first study examining the effects of sanctions in the case of Myanmar. The case of Myanmar, as most researched cases of sanctions, is one of imposed sanctions. Kaukeleire and MacNaughtan (2008: 203) defines sanctions as a

policy instrument with the objective of bringing about change in the activities or policies of third states, individuals from third states or non-state entities [...]. Measures undertaken include specific or general trade restrictions [...] suspension of cooperation with a third country, arms embargos, interruption or restriction of diplomatic relations and travel or visa bans.

This definition includes political measures in addition to the trade barriers of purely economic sanctions, and thus fit well with the case of EU and US sanctions against Myanmar. During the years of sanctions, a range of researchers have analysed this case. As in the research on the success of sanctions in general, the assessment of their effect

in Myanmar were overwhelmingly negative. Research titles like “US Sanctions against Burma: A Failure on All Fronts” (Hadar, 1998), “Myanmar: Sanctions Won’t Work” (Sachs, 2004) and “Destroying a country in order to save it: The folly of economic sanctions against Myanmar” (Rarick, 2006) illustrate the dominating view among researchers. There are no positive predictions to balance out this lack of faith in the literature.

These scholars made their analyses during the sanction years, and did not foresee the political changes in Myanmar since the 2010 national elections. This thesis seeks to contribute to the debate on sanctions with a re-evaluation of their effect in Myanmar in light of recent developments, applying the theoretical framework Hovi et al. developed in their 2005 study of the effect of imposed economic sanctions. Instead of attempting to predict the future, this thesis analyses past events to consider the effect of sanctions in Myanmar.

1.3 RESEARCH DESIGN

1.3.1 Theory

In the case examined in this thesis, a target state – Myanmar – has changed its policies in a way that has largely satisfied the demands of the sender states. Although not all demands have been met, the progress has been substantial enough for the sender states to choose to lift or suspend most sanctions. As pointed out by Lindsay, however, that is not enough to declare the sanctions a success.

To consider sanctions aimed at compliance a success, they must meet two criteria. First, the target must alter its behaviour to conform with the initiator’s preferences. Second, the target must change its policies because of the sanctions. (Lindsay 1986: 158)

For the sanctions to be considered effective, it must be proved likely that there is a causal relationship between the sanctions and the reforms. This thesis will apply rational choice theory in order to isolate this potential causal relationship between sanctions and reforms. This theory is well suited for explaining compliance schemes.

Rational choice theory sees states as rational actors, who have consistent preferences and aim to maximise net benefits of their policy-making. States use sanctions in order to alter the balance of costs and benefits in another state, to make it rational for the target to adapt to the sender state's demands. By threatening with sanctions, the sender can increase the cost of the target's preferred policy choice, thus altering its incentives. If the cost of sanctions outweighs the benefit the state would get from continuing to pursue its preferred policy alternative, it will be rational for the target to comply. If the cost of sanctions are lower than the benefits of status quo on the other hand, the sanctions will fail – assuming that the target has complete information. If I am unable to find that the cost of sanctions outweighed the cost of compliance in the case of Myanmar, this will weaken the argument that sanctions were effective in compelling the Myanmar government to reform.

The analysis is structured around three hypotheses. I have developed the hypotheses from Hovi et al. (2005), who apply a rational choice method in order to identify how imposed sanctions can be effective. Daniel Drezner (2003) held that sanctions are primarily effective at the threat stage, before they are imposed. As he pointed out, sanctions have to be imposed when threats have failed, in order to lend legitimacy to similar threats in the future. However, when sanctions are imposed they have already failed as a policy tool. Hovi et al. (2005) agree that sanctions are primarily effective before they are imposed, but propose some scenarios in which sanctions can be effective in coercing change after they are imposed.

If sanctions against Myanmar succeeded, it must be because Myanmar lacked complete information when threatened with sanctions and therefore failed to correctly assess their relative costs. In that case, the target will respond when the mistake is identified by complying with the sender state's demands. Hovi et al. have identified three different scenarios in which sanctions can have an effect even after they have been imposed. These are based on different mistakes the target state can make in analysing the relative cost of the threatened sanctions. The hypotheses I examine are developed from these scenarios, and this thesis considers how the case of Myanmar fits with each. These hypotheses provide a tool to systematise the effects of sanctions.

The first scenario is that the threat of sanctions fails because the target state underestimates the sender state's determination to impose or maintain sanctions. When the target state realises the mistake, it will modify its behaviour and comply. The second scenario is that the target state underestimates the costs of the sanctions. In this case, it will usually take longer to identify the mistake, as the full cost of sanctions can only become clear over time. Either sanctions can get more comprehensive with time, or the costs can be manageable in the short term but too costly in the long term. When the mistake is identified, the target will comply. The last scenario is that the target state initially fails to respond to the threats because it expects the sender state to impose sanctions regardless of its actions. If the target state believes that the sanctions will be imposed and maintained even if it complies, it will not have an incentive to comply even if the cost of sanctions is high. If it is made clear to the target state that the sanctions will be lifted if it complies, this can lead to compliance after the sanctions are imposed.

These scenarios provide the basis for my hypotheses, which will be confronted with empirical evidence in Chapters 3-5:

H1: The threat of sanctions failed because Myanmar underestimated the credibility of the threat of sanctions. The government adapted to the demands when sanctions were imposed and it understood that they would remain.

H2. The threat of sanctions failed because the Myanmar government underestimated their costs. Sanctions were eventually successful as the Myanmar regime realised that their cost outweighed the benefits of non-compliance.

H3. The threat of sanctions failed because Myanmar believed the sender states would impose and uphold sanctions regardless of its response to the threats. Sanctions became effective when the government was convinced that the sanctions would be lifted if Myanmar complied with the demands.

These hypotheses provide a method to systematically assess the effects of sanctions from the effect of other potential causal factors in the case of Myanmar.

1.3.2 Methods

This thesis examines the effects of sanctions on Myanmar. As seen above, a number of both quantitative and qualitative studies have previously sought to identify it. Using a case study method in this thesis allows me to do an in-depth analysis. As defined by Yin (2009: 18)

A case study method is an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.

This makes it a suitable method for examining events in Myanmar. The quantitative studies mentioned above predict that imposed sanctions in general fail to bring change in the target state. In Myanmar, reforms were implemented after a sustained period of Western sanctions, and sanctions were lifted in response to the reforms. The fact that the effect of sanctions in this case can seem to diverge from general theory makes it worthy of closer examination. Considering the context to the developments in Myanmar is necessary in order to assess whether this is a – relatively rare – case of compliance. As sanctions was only one of several factors of influence to Myanmar, any consideration of its relative effect will have to take into account its context. The case study method allows me to examine the actions and effects of the sender state, the target state, and the external circumstances influencing the parties.

A limitation of a case study method is primarily that it suffers from low *external validity*; the conclusions from one study may not be representative for other cases of sanctions (Gerring 2007: 43). However, the aim of this thesis is to test existing theory on the effect of imposed sanctions to see whether it fits with the case of Myanmar. Thus, it is a supplement to existing research, and aims at testing existing theory rather than generating new theory. The case study method allows this close examination of the case of Myanmar, which makes it possible to separate the particular effect of sanctions from that of other factors. As this is the aim, it is crucial to strengthen the *internal validity* of the study; that the causal relationships identified. The three hypotheses that the analysis is structured around allow me to consider a number of factors that have potentially influenced the case.

1.3.3 Data

The analysis in this thesis is primarily based on published sources. The sanctions against Myanmar have been in place for a long time, and most aspects of the case are well documented. However, I supplement these sources with three interviews conducted with experts on Myanmar, in order to get their opinions about the reasons for the political changes in Myanmar and the role of sanctions. I have interviewed Richard Horsey, an NGO worker with long experience in the country. His background is primarily the International Labour Organisation. Further, I have interviewed Kyi Kyi Nyein, a Myanmar businesswoman who experienced the sanctions from the target side during the whole period of sanctions. Finally, I have interviewed Dr. Min Zaw Oo, a Myanmar academic who has returned from exile in the United States to work for the state-run Myanmar Peace Center. While in exile, he was part of the group that designed the US sanctions against Myanmar. The process of change is still ongoing, and interviews were a way to get the most recent analysis from key people on the subject. I found that my interviewees could provide me with insights into various sides of the situation that I was not able to find in existing publications.

I conducted the interviews in Yangon, Myanmar, on May 23-25, 2013. Those interviewed had great insight into diverse, though related, aspects of my research question. Therefore, I chose to ask general, open-ended questions allowing them to expand on their knowledge and opinions about the effect of sanctions. As I was interested in their expert opinions, I found this a more valuable approach than conducting more structured interviews.

I have only to a small extent had access to information about meetings between representatives of the Western powers and Myanmar during the years of sanctions. I have gained some information about the US-Myanmar diplomatic relations through a confidential document published by Wikileaks, but I do not have information about any unofficial EU-Myanmar relations. Therefore, it has been necessary to rely on those who claim that these relations were very limited. It is possible that proof of secret Western-Myanmar negotiations emerge later on. If so, my conclusion may have to be amended.

The second challenge when researching Myanmar is the lack of official statistics. The country was closed off for a long time, and did not spend much effort on keeping statistics. Even the population number and their ethnic composition are disputed. Myanmar undertook a census in late March 2014. The problem with available facts is that many actors in the case of Myanmar have had an agenda, and even facts can be politicized. To the extent I have used statistics to test my hypotheses, I have carefully assessed my sources. Furthermore, I have made sure not to hedge my conclusions on statistics but rather used them to illustrate a point.

1.4 OUTLINE OF THE PAPER

The next chapter introduces the historical background for my case; developments in Myanmar. It explains how the country came to be a pariah state and a target of international sanctions, and the further developments from the time when Western states imposed their sanctions until the time when most sanctions were lifted in 2013. The chapter provides necessary information for understanding the rationale of the Myanmar regime and hence provides a basis for the subsequent analysis.

Chapter three begins the analysis by assessing the explanatory power of H1, which says that sanctions succeeded when Myanmar realised the sender states' determination to impose and uphold sanctions. I do not find support for this hypothesis. Myanmar had no reason to believe that the sender states would lift sanctions unless the demands they made were met. Further, if Myanmar did underestimate the sender states' determination to sanction, it would have realised the mistake early on and not waited to comply.

Chapter four considers H2, that sanctions became effective because the Myanmar regime realised that the costs of sanctions were higher than expected. This hypothesis is largely confirmed. Myanmar could hardly have realised the full cost of sanctions, as they were imposed incrementally and because they came to influence aspects of the Myanmar economy and politics such as its relations with its neighbouring countries. I argue that neither the sender nor the target could have predicted some of the joint effects of sanctions and other factors. Thus, I claim that sanctions had an *unforeseen success*.

Chapter five assesses H3. This hypothesis is that sanctions initially failed because Myanmar believed that sanctions would be imposed and upheld regardless of what the Myanmar regime did. I find limited support for this hypothesis before the reform process was underway, but argue the mechanism had some effect after the change of government in 2011.

Chapter six concludes that sanctions did have an effect both during Than Shwe's rule and during Thein Sein's rule. However, Myanmar only introduced human rights and political reforms after consolidating their power to avoid the dangers of transitioning from a dictatorship. The effect the sanctions would have could, however, not been predicted by either the target or the sender states. The material impact of the sanctions themselves was not sufficient to compel Myanmar to change, but the sanctions had indirect effects that contributed to compliance eventually being the rational choice.

2. HISTORICAL BACKGROUND

This chapter provides the empirical background for the case of sanctions against Myanmar, by going through Myanmar's history from independence in 1948 until 2013. First, it introduces the politics, economics and conflicts in the country that formed the background for the sanctions imposed from 1988 onward.

Next, it examines the politics of Myanmar from 1988 to the elections in 2010, explaining how and why sanctions were imposed. Further, it looks at Myanmar's economic developments in these years, to assess how much the sanctions could and did hurt the economy. Finally, it looks at the elections in 2010, and the period from 2010 to 2013 when the developments in Myanmar during Thein Sein's presidency led to the lifting of sanctions.

2.1 1948-1988: FROM RICHES TO RAGS

The ethnic and political tension in Myanmar was already evident when the country gained independence from Britain in 1948. In preparation for independence, an interim government had been established in 1946. This government sought to address the grievances in the ethnically diverse country by discussing some degree of federalism (Diller 1993: 394f). The government was led by General Aung San, who had established himself during the Second World War as the main leader of the struggle for independence. However, in 1947, Aung San and most members of his government were assassinated during a cabinet meeting. With the political elite gone before the country became independent, more than a decade of political instability followed. The attempted peaceful transfer of power to a self-ruling democracy failed, and "ethnic, political and territorial tension escalated" with independence (Callahan 2003: 114). By 1949, more than half of the army had mutinied, and the majority of Myanmar towns fallen under insurgent control (Callahan 2003: 114f). Economic development in turn slowed down, with governments having to focus more on law enforcement than on the economy (Myat Thein 2004: 18). In addition, the government laid a foundation for future ethnic conflict by increasing the emphasis on national unity in a Buddhist state. Prime Minister U Nu

furthered the role of Buddhism, and appointed the highest military leaders from the majority Bamar population (Cribb 2013: 6).

Britain had centred the Myanmar colonial economy on rice export within a free trade system. The colony was considered an economic success story. However, the wealth was not distributed throughout the Myanmar society. By 1948, nearly half the arable land in the country was owned by absentee landlords, primarily Indian (Myat Thein 2004: 14f). This system had turned much of the population of Myanmar into landless peasants, excluded from modernisation. Falling rice prices in the 1950s demonstrated the vulnerability of a system dependent on exports of a single commodity. Strong voices argued for nationalisation and industrialisation based on a socialist public ownership model. In 1962, General Ne Win took power in a coup d'état, introducing a political system labelled *Burmese Road to Socialism*. This combined import-led industrialisation with strict neutrality in the international system. With this combination of political non-engagement, high tariffs, and prohibition against many kinds of trade, Ne Win went far in isolating the regime (Myat Thein 2004).

The Myanmar economy plummeted under Ne Win's rule. Following his introduction of a state monopoly on trading internationally, rice export decreased from 1.6 to 0.64 million tons between 1962/63 and 1966/67. Rice farmers were required to sell rice well below market value to the state, who would then resell it on the international market. As the incomes generated from rice production declined, the system discouraged producers and increased poverty. As Myat Thein (2004: 85f) puts it,

neglect as well as mismanagement of the agricultural sector led to a vicious cycle of stagnant or falling exports, leading to balance of payments and budgetary restraints, and further low investment, slow industrialization, and low growth [...]

Failed economic policies resulted in economic decline, which aggravated the existing ethnic tension and political opposition. This in turn led to an increased dependence on the military to keep the unity of the state. Ne Win's regime lasted until 1988, and Myanmar remained isolated, poor and conflict-torn. In 1987, he "admitted publicly to 'failures and flaws' in the management of the economy" (Cribb 2013: 9), and announced reforms.

2.2 1988-2010: POLITICAL DEVELOPMENTS AND WESTERN REACTIONS

The economic problems coupled with social unrest culminated in nation-wide protests in 1988, as the government attempted reforms. These started as a student protest in response to monetary reforms that left many people's savings worthless overnight. The military cracked down on these protests, killing at least 50 people. As the news of these events spread, it sparked protests across the country. In July, Ne Win announced that he was stepping down. However, he appointed Sein Lwin, a general known for his brutality, as the next State President (Cribb 2013: 9). On August 8, the protesters launched a mass strike and nationwide protests. Once again, the government reacted to the protests with excessive use of force. Over the next days, an estimated 2000- to 3000 protesters were killed in what came to be known as the 8888 Uprising. On August 13, Sein Lwin was replaced by a more moderate general who released political prisoners and promised reforms, but this did not satisfy the protesters. The extent of both the protests and the brutality of the repression led the crackdown to attract attention both nationally and internationally. In September, General Saw Maung took power in a new coup, and crushed the protests (Cribb 2013: 9). In total, 3000-5000 protesters were killed during the summer and fall of 1988 (Bourdeau 2002: 45f). The new ruling body, the State Law and Order Restoration Council (SLORC), promised to hold democratic elections within two years.

In September 1988, the United States reacted to the events in Myanmar by suspending all aid to the country, including the counter-narcotics program. In addition, they banned arms sales to the regime, including stopping an already planned delivery of arms. A few days later, the European Union suspended non-humanitarian aid (Peterson Institute for International Economics). This was the start to more than two decades of sanctions.

While the 1990 elections were held as scheduled, the military government failed to hand over power when the National League for Democracy (NLD) won a surprise landslide victory. Instead, they arrested or placed in house arrest opposition leaders – including the presidential candidate for the NLD, Aung San's daughter Aung San Suu Kyi.

With the memory of the 1988 police violence in mind, the international community reacted to this development with strong critique, and some with increasing the sanctions on the country. As the government failed to reform the political system and continued the crackdown on the political opposition and ethnic insurgents, the United States and the European Union gradually imposed more sanctions while downgrading their diplomatic involvement in the country. The US sanctions were more extensive than the EU sanctions throughout the sanction era, while the European Union generally waited longer before imposing sanctions and opted for more targeted sanctions. Sanctions were in most cases introduced after reported incidents of human rights abuse, in particular on military crackdowns on the opposition.

Table 2.1: List of US and EU sanctions

Year	US sanctions	Year	EU sanctions
1988	Ban on arms export Suspension of non-humanitarian aid, including counter-narcotics assistance Blocking assistance from the International Monetary Fund, the World Bank, and the Asian Development Bank	1988	Suspension of non-humanitarian aid and technical assistance
		1990	Ban on arms trade
		1992	Severance of defence links (military attachés removed from Yangon)
		1996	Visa ban for high-ranking military officers and government officials, and their families (expanded in 1998 to include tourist and transit visas, and in 2003 and 2004 to include lower-level officials and those in regime-affiliated organisations respectively) Moratorium on high-level bilateral contacts
1989	Suspension of Myanmar's status as a General System of Preferences (GSP) state Withdrawal of Export-Import Bank preferential financing for US exports to Myanmar Withdrawal of Overseas Private Investment Cooperation financial services for investments in Myanmar.	1997	Withdrawal of Myanmar's preferential status as a GSP state, affecting trade tariffs for Myanmar agricultural and industrial exports
1991	Termination of bilateral textile agreement.	2000	Ban on export of defence-related equipment Freeze of assets held in Europe by Burmese officials and regime supporters included on the visa bans list.
1996	Ban on entry visas to the United States for members of the political and military elite and their families		
1997			

	Ban on all new US investments in Myanmar	2004	Ban on new investments in state- and military-owned companies.
2003	Ban on all imports from Myanmar		
	Ban on export of financial services to Myanmar	2007	Restrictions on exports, imports and investment in five sectors: logs and timber products, metals, minerals, precious and semi-precious stones
	Freeze on assets of the Myanmar military, government officials and institutions held in the United States (Pedersen 2008: 24)		
2007	Myanmar barred from receiving any form of U.S. assistance		
2008	Extension of the list of companies U.S. firms are prohibited to do business with		
	Ban on imports of jadeite and rubies mined in Myanmar and jewellery made with such gems.		
	Ban on banks providing monetary services to Myanmar		

Sources: Gaens 2013: 15f, Niksch & Weiss 2009, Pedersen 2008: 24, 34

The sender states imposed sanctions incrementally, starting with a limited ban on weapons and some aid. Over time, the sanctions became comprehensive. The United States first introduced comprehensive sanctions with their ban on all new US investments in Myanmar in 1997 with Executive Order 13047, because of what the president called a “constant and continuing pattern of severe repression” (Hadar 1998). The sanctions were expanded with the introduction of the Burmese Freedom and Democracy Act (BFDA) in 2003 in response to the re-arrest of Aung San Suu Kyi after her release the previous year. The BFDA included a ban on all imports from Myanmar, freezing Myanmar regime affiliates’ assets in the United States and restricting exports to Myanmar. The European Union first introduced comprehensive sanctions with the 2007 Common position 750, which blocked most imports and exports in central extractive sectors. This sanction was introduced in response to the SPDC’s crushing of the peaceful protests led by monks, known as the 2007 Saffron Revolution.

The United States increased their sanctions further with the Tom Lantos Burmese JADE (Junta's Anti-Democratic Efforts) Act of 2008, which was imposed in response to both the Saffron Revolution and the SPDC's insufficient response after Cyclone Nargis struck the country in May 2008, killing an estimated 140.000 people (110th Congress 2008, Turnell 2010: 25). The Tom Lantos Burmese JADE Act restricted imports of jewellery made from Myanmar gems and denied US companies to be involved in transactions with Myanmar companies (Martin 2012: 21). While the EU sanctions were less comprehensive than those imposed by the United States, it is argued that EU sanctions limited investments because investors feared bad publicity and withdrew from the country without being forced to by sanctions (Gaens 2013: 19). A notable exception in EU sanctions are sanctions on the oil and gas extracting industries (Gaens 2013: 19).

2.2.1 The 7 Step Roadmap to Disciplined Democracy

In 2003, Mary P. Callahan (207f) wrote that

[...] today's generals have barely been touched by the suspension of international economic assistance, the imposition of an arms embargo, and bans on new investments by U.S and European firms. [...] All around them, Burma's generals witness the crumbling of authoritarian regimes. But in Burma, military rule endures.

The same year, however, Myanmar launched what was to become the first sign of democratic reforms. Khin Nyunt, Myanmar Prime Minister under Than Shwe, introduced a "7 Step Roadmap to Disciplined Democracy" in August 2003. This became the first sign of planned democratisation in Myanmar since the failure to respect the result of the 1990 elections. The seven steps outlined in this program were:

(1) Reconvening the National Convention. While the National Convention that had been elected in 1990 never met, the government had created an alternative Convention which had first met during 1993-96.

(2) A step by step implementation of the process necessary for the emergence of a genuine and disciplined democracy.

(3) The drafting of a new constitution in accordance with the basic principles laid down by the National Convention. The National Convention of 1993-96

formed a basis for the future structure of Myanmar, including a provision that one fourth of seats in Parliament should be reserved for serving military personnel and that Presidential candidates with foreign spouses or children should be excluded (Cribb 2013).

(4) An adoption of this Constitution through a national referendum.

(5) The holding of free and fair elections for the legislative bodies, the Pyithu Hluttaws, in accordance with the new Constitution.

(6) A convening of the Hluttaw members in accordance with the new Constitution.

(7) The building a modern, developed, and democratic nation by state leaders elected by the Hluttaw and the government and other central organs formed by the Hluttaw. (Ardeth Maung Thawngmung & Maung Aung Myoe 2008: 15)

At the time, the 7 Step Roadmap was not considered a genuine attempt at democratic reform by outside observers, due to the dubious sound of “disciplined democracy”. Richard Horsey (2013 [interview]), however, claims that the term “disciplined” should be seen less as an expression of continued authoritarianism and more in light of the history of unstable, conflict-marred, politics.

The 7 Step Roadmap was solely a plan for building the political structures necessary for a democracy. Dedication to the process did not mean that the government stopped reacting violently to protests. This was especially clear in 2007, when security forces cracked down on the non-violent Saffron Revolution (Gaens 2013: 7). This did not instil trust in the process of democratisation in the country. Still, without it receiving international attention, the steps outlined in the Roadmap were met one by one, on schedule. The November 2010 general elections marked the completion of the fifth step.

2.3 1988-2010: ECONOMIC DEVELOPMENTS

When the new government, calling itself the State Law and Order Restoration Council (SLORC), took power in September 1988, it introduced economic reforms to replace

the failed *Burmese Way to Socialism* with a market economy. It lifted restrictions on private sector participation in international trade in some goods, and introduced a law for foreign investments to attract foreign capital (Myat Thein 2004: 123)

For a good while after the European Union had introduced comprehensive sanctions against Myanmar, EU businesses continued investing in the country. Unlike the United States, the European Union attempted to target its sanctions and thus did not go as far as to ban all investments. In the years 1995-2005, Europe was the largest investor in Myanmar, with twice the total investment of ASEAN (Gebert 2013: 4). With the European Union expanding its sanctions in 2007, it had a “substantial effect on the Myanmar government, costing it at least 288 million euro [...] per year” (Gaens 2013: 19). In 2010, Myanmar’s main trading partners were Thailand (the main importer from Myanmar) and China (the main exporter to Myanmar). The European Union was Myanmar’s ninth largest trade partner, but it only imported 3% of Myanmar’s exports and produced 1.2% of Myanmar’s imports (Office of the European Union in Myanmar). Myanmar was the European Union’s 144th largest trading partner, despite the colonial ties to Britain and Myanmar’s abundance of natural resources (Ikani 2012). Because of the stricter US sanctions against Myanmar, the United States was not one of Myanmar’s ten largest trade partners. The country exported \$9.7 million to Myanmar in 2010, but did not have any reported imports from the country (United States Census Bureau).

Myanmar’s growth rates during the years of sanctions is difficult to assess. The government reported double-digit growth rates during the years 2004-2009, while sanctions were at their most extensive, but this is disputed. Sean Turnell (2012) estimates - based on the country’s increase in energy consumption – that the annual growth rate between 2004 and 2009 was around 2 to 3 per cent, significantly lower than that of the other countries in the Southeast Asia region.

2.4 2010: WHAT CHANGED WITH THE ELECTIONS?

In 2010, President Than Shwe announced that he would arrange national elections in accordance with the 7 Step Roadmap, and the elections were held in November the same

year. While some parties were not allowed to take part and others decided to boycott the elections, some opposition parties did compete for – and win – seats in the national legislature.³ For the first time since 1960, members of the political opposition could take up the seats they had been elected to.

Than Shwe resigned, handing over power in March 2011 to his handpicked presidential candidate – retired general Thein Sein. With him, a number of other ex-generals formed a new government. In choosing Thein Sein as his successor, Than Shwe managed not to repeat Ne Win's mistake of appointing someone unacceptable to the public. Even though he had had a long military career, Thein Sein had never been involved with fighting ethnic insurgents or repressing political protests. Moreover, he and the rest of the would-be generals had been ordered to resign prior to the elections. While the election of Thein Sein was not democratic, and while the new civilian leadership were all newly retired generals, the new government was the first civilian government to rule Myanmar since 1962.

To further ensure the new leadership's capacity to rule as a civilian government, Than Shwe retired senior Myanmar generals who might have obstructed the process, before the elections. Seniority is an important basis for power in Myanmar, and by removing generals senior to Thein Sein he lowered the chances of the army overrunning the government (Horsey 2013 [interview]).

2.5 MYANMAR SINCE THE 2010 ELECTIONS

Within two years, Myanmar [...] transformed dramatically from an international outlaw state to East Asia's most attractive investment hub and to a legitimate power. (Gaens 2013: 8)

Myanmar has changed significantly since 2010. Only six days after the elections, the government freed Aung San Suu Kyi from house arrest. The NLD was allowed to re-register as a political party and resume its political work. In the following years, hundreds of other political prisoners have been freed, and a commission has been set up

³ The NLD boycotted the elections, partly because of Aung San Suu Kyi's continued house arrest.

in order to identify which of those remaining in the country's prisons should be considered political prisoners and therefore be released from prison. In April 2012, Myanmar held supplementary elections to Parliament. The NLD competed for 44 of the 45 seats that were up for election, and won 43 of them⁴. The government had invited foreign observers to observe the election process, and the supplementary elections were considered free and fair.

Attempts at negotiating peace agreements with ethnic insurgency groups have received renewed attention, and most ethnic groups had signed a ceasefire agreement by September 2013 – some of them putting an end to more than half a century of fighting. The far-reaching censorship laws in the country have been relaxed, and the practice of pre-publication censorship of all published material ended on August 20, 2012. Banned media such as the exiled Oslo-based Democratic Voice of Burma were once more allowed (Bünthe & Portela 2012: 2).

The Western powers responded to these changes. In April 2011, before Thein Sein was instated as president, the European Union lifted its suspension on high-level meetings (Gaens 2013: 15). In December 2011, US Secretary of State Hillary Clinton visited Myanmar, and in January 2012 the United States restored normal diplomatic ties with Myanmar (Myers and Mydans 2012). The EU High Representative for Foreign Affairs, Catherine Ashton, visited the country in April 2012. During her visit, she opened a European Union Representative Office in Yangon. In 2012, Myanmar received a number of delegations from the Western countries, including US President Barack Obama, who visited in November.

In further recognition of the changes, the European Union suspended sanctions for one year pending further improvements in the political and human rights situation (Tin Maung Maung Than 2013: 211ff). In April 2013, they lifted all sanctions except for the arms embargo in acknowledgement of the continued reform process. In the United States, the sanctions are more entrenched in laws and are not as easily lifted. However, President Barack Obama released a general waiver from the sanctions in July, 2012

⁴ Of the last two seats, one was won by the opposition party Shan State Democratic Party (SSDP) and by the ruling United Solidarity and Development Party (USDP)

(White House 2012), which opened up for investments and trade in most goods. The arms ban remains against Myanmar, and in August 2013 Washington declared that it would also renew the ban on the import of gems from Myanmar.

Some political issues have yet to be dealt with by Thein Sein's government. As Western governments have focused much on the treatment of Aung San Suu Kyi in their critique of the government, the provision that blocks her from being elected president or vice-president is one of the most notable. How the government will deal with this before the upcoming 2015 elections is not known. In addition to blocking Aung San Suu Kyi from becoming president (because she has been married to a foreigner and have children who are foreign citizens), the 2008 constitution entrenched a strong position for the army in the parliament by guaranteeing it one quarter of the seats. This also meant that the army got veto powers against amendments to the constitution, as these must be passed by more than three quarters of parliament. Moreover, it secured impunity for the military regime (Gaens 2013: 12). These are all issues of concern for Western governments. How Myanmar deals with these issues can have an impact on future Western-Myanmar relations.

This chapter has explored the developments in Myanmar from independence in 1948 to the ease of sanctions in 2012/13. It has shown how ethnic and political tension resulted in a military coup by General Ne Win in 1962, who remained in power until 1988. His combination of economic mismanagement and repressive rule led to protests in 1988. The military crushed these protests leaving thousands dead, which prompted the first Western sanctions against the regime in 1988. The regime held national elections in 1990 to satisfy the protesters demands, but failed to accept it when they lost to the opposition led by Aung San Suu Kyi. More sanctions were imposed incrementally over the next 20 years, as the government failed to comply with the sender states' demands and continued to breach human rights.

In 2003, the Myanmar government launched the 7 Step Roadmap to Disciplined Democracy, which outlined the steps necessary for Myanmar to safely democratise.

Since then, the government have completed the steps of the Roadmap on time. In 2010, Myanmar concluded the fifth step of the Roadmap by holding national elections where opposition parties could compete for some of the seats. For the first time in fifty years, opposition politicians were allowed to take up the seats they had won, and in 2011, a more reform-oriented government led by retired general Thein Sein came to power. Since then, a number of reforms have been implemented, and the human rights situation for the political opposition and most ethnic minorities and have improved. In 2012/13, the Western powers responded to these developments with easing their sanctions against the country.

3. HYPOTHESIS 1: UNDERESTIMATING THE THREAT OF SANCTIONS

As seen in Chapter 1, sanctions are primarily effective at the threat stage. Imposed sanctions are unlikely to succeed in compelling the target to change. H1 provides the first explanation for why Myanmar may have complied with the demands, despite the negative predictions for such sanctions:

H1: The threat of sanctions failed because Myanmar underestimated the credibility of the threat of sanctions. The government adapted to the demands when sanctions were imposed and it understood that they would remain.

This hypothesis provides a simple explanation for Myanmar's initial non-compliance: the government did not initially comply because it believed that non-compliance would go unpunished. If this was the case, Myanmar would have realised its mistake when the European Union and the United States imposed sanctions. If the cost of sanctions is higher than the cost of compliance, the targeted state would move to comply to avoid unnecessary extra costs. In order to test this hypothesis, the chapter will be structured around two questions. The first is whether the case of Myanmar really is one of compliance to the sender states' demands, or only one where reforms have been seen as compliance. The second is whether the Myanmar government introduced reforms because it found that it had underestimated the EU and US willingness to implement and maintain sanctions.

Two factors make H1 improbable. The first is that, as Hovi et al. (2005: 486) argues, cases of miscalculated threats of sanctions are "few and far between". This is because it takes time to impose sanctions. Thus, an initial miscalculation should normally be corrected before the sanctions are imposed. Because sanctions are most likely to be effective at the threat stage, a sender state considering imposing sanctions would not have any incentive to downplay the risk facing the target. The other reason is the duration of the sanctions against Myanmar. If the Myanmar regime's non-compliance was simply a result of it underestimating the threat of sanctions, it would have been rational for comply already in the early years of sanctions. However, the hypothesis

cannot be discarded out of hand. Hovi et al. do not propose a time limit for compliance in a case where the target state has miscalculated the sender state's determination to impose sanctions. Rather, they argue that

A target holding such beliefs might be induced to reconsider once the sender proves its resolve by imposing sanctions, provided that the threat of *continued* sanctions is both potent and contingent. (Hovi et al. 2005: 486)

Thus, it is possible that Myanmar believed that sanctions would be lifted even in a case of non-compliance. In 2012/13, most of the sanctions were suspended or lifted. This happened although not all demands on Myanmar had been met. If the case of Myanmar fails to qualify as a case of compliance, this means that sanctions failed to have the desired effect on the political developments in Myanmar.

3.1 DID MYANMAR COMPLY WITH THE DEMANDS?

As shown in Chapter 2, the Western powers reacted to reforms by easing sanctions. The European Union suspended its sanctions against Myanmar for a year in April 2012, and lifted them a year later. In July 2012, US President Barack Obama waived most commercial sectors wishing to do business with Myanmar. American businesses are thus in practice again allowed to do business with the country, although the US sanctions formally remain. If the EU and US restrictions were eased despite Myanmar non-compliance with their demands, then this hypothesis falls short of explaining the Myanmar reforms.

Had Myanmar complied in 2012/13? While EU demands were vague, the US list of demands for compliance was long. It included a range of human rights and political reforms. Far from all of these criteria had been fully met when sanctions were lifted or waived. Further, the United States launched a policy of “pragmatic engagement” towards Myanmar in 2009, in part motivated by a wish to reduce Chinese influence (Gaens 2013: 20, 25). This happened before the elections, and before any of the US criteria had been met. Still, the United States did not lift the sanctions in 2009. Going through the status of the US demands one by one may get an indication of Myanmar's

level of compliance with them by the time they were lifted. As the EU did not present Myanmar with clear demands, the level of compliance with EU demands is harder to measure. It will be considered briefly below.

Table 3.1. The US demands for lifting sanctions

	US demands for lifting sanctions
1	Substantial and measureable progress to end violations of (...) human rights including rape (...)
2	[T]hat the SPDC no longer systematically violates workers rights, including the use of forced and child labor, and conscription of child-soldiers.
3	[M]easurable and substantial progress towards implementing a democratic government including – (i) releasing all political prisoners; (ii) allowing freedom of speech and the press (iii) allowing freedom of association; (iv) permitting the peaceful exercise of religion; and (v) bringing to a conclusion an agreement between the SPDC and the democratic forces led by the NLD and Burma’s ethnic nationalities on the transfer of power to a civilian government accountable to the Burmese people through democratic elections under the rule of law.
4	“[T]hat the SPDC has (...) allowed humanitarian access to populations affected by armed conflict in all regions of Burma”

Sources: 108th Congress (2003), 110th Congress (2008)

When Thein Sein came to power in 2011, he stepped up efforts to sign ceasefire agreements with ethnic insurgents (International Crisis Group 2011). The success of this policy has led to a decreased conflict level in Myanmar. This has led to partial compliance with the first two US demands: that the State Peace and Development Council (SPDC – the name the government got after a reshuffling of members of SLORC in 1997) made progress towards ending human rights abuses including rape, and that it no longer violated workers’ rights. Reports of army human rights violations

have primarily come from conflict zones. Rape has been used as a means of warfare (Brunnstrom 2014), while army battalions have used confiscation of land and forced labour as a way of compensating for insufficient funding (Steinberg 2010: 103). As conflict levels have decreased, and the SPDC increased army wages (Turnell 2010: 33), fewer reports of these breaches of international norms have emerged. As the international attention to Myanmar has increased, and as access to Myanmar has been simplified by new visa regulations, there is no reason why such reports would not emerge now as in the past without changes on the ground. However, the demands are not completely met, and in 2014 one report emerged claiming that the Myanmar army was responsible for more than 100 cases of rape in ethnic minority areas since the 2010 elections (Brunnstrom 2014). While one such report may not be sufficient information to discard the success of the ceasefire agreements at this point, these had not progressed far enough by 2012/13 for it to be likely that the human rights violations institutionalised in the Myanmar army had ended at that point. Further, no reports state that they had, so even full compliance would have been unknown to US policy-makers.

Point 3 in the US list is the most easily testable point. It is also the point most directly linked to political reform. I will consider all the issues it include, starting with the demand for releasing all political prisoners. While several hundred political prisoners have been released since the start of the reforms, some remained in prison until the end of 2013. Thus, in a strict sense, this demand has not been met. However, the release of political prisoners has been complicated because some political opponents were imprisoned under cover of having committed other crimes. President Thein Sein appointed a committee in February 2013 with the task of identifying remaining political prisoners so they could be released (Naw Say Phaw Waa 2013). Although some remained imprisoned, all the well-known political prisoners – the most outspoken activists and opposition leaders who arguably posed the greatest threat to the regime – had been released by the time President Obama waived the US sanctions in mid-2013. On December 31 on the same year, the Myanmar government announced that it was releasing all remaining political prisoners (The Telegraph 31.12.2013).

There is, however, some remaining controversy surrounding the definition of political prisoners. In 2011, Thein Sein's government introduced a new law, banning demonstrations without permissions (International Crisis Group 2013b). Protesters have been arrested under this law, although they have received mild sentences compared to the long prison sentences of the previous era. Further, some religious leaders have been arrested for instigating religious violence even after the 2012, as mounting tension between the Muslim minority and the Bamar majority has complicated the political situation since reforms were implemented. These tensions have also led to serious violent incidents, with loss of lives, thus blurring the line between political prisoner and instigator of violence (International Crisis Group 2013a). The International Crisis Group, while pointing to the shortcomings of the Myanmar legislature on this point, hold that under the circumstances, "and with a crowded legislative agenda, it is impressive how much has been achieved" (International Crisis Group 2013b).

Moving on to the next US demands, the freedom of speech, there has been progress just short of complete compliance. The release of political prisoners has helped support the freedom of speech – people are now less in danger of arrest if they exercise their freedom of speech. Further, opposition politicians who have won seats in Parliament have been able to ask direct questions and voice critique. This points to a changed attitude towards the freedom of speech, even though there has not been any law amendments to mark this change.

Next, the government has introduced reforms to expand the freedom of the press. In 2011, the government lifted the online censorship of a number of web pages for communication or spreading information, such as YouTube and the previously exiled media organisation Democratic Voice of Burma (Committee to Protect Journalists 2013). In October the same year, the government released all imprisoned journalists in the country (Committee to Protect Journalists 2013). In August 2012, the government ended the pre-publication censorship laws that had been in effect for all publications for nearly half a century (Aung Hla Tun 2012). Developments such as these have led Reporters without Borders to rank Myanmar among the most free in ASEAN, although there are still some limitations to what the press can write about (Chongkittavorn 2014).

As was the case with political prisoners, extensive media reforms were not enough to fully meet US criteria because of these limitations to the freedom of the press.

The freedom of association has greatly increased in Myanmar since the beginning of reforms. A turning point came when the government removed a ban on political parties before the elections in 2010. Further, in June 2013 the International Labour Organisation (ILO) reported that over 600 unions had been formed in the country since restrictions on unions were lifted (International Labour Organization 2013).

The question of peaceful exercise of religion in Myanmar is complex. While ceasefire agreements with ethnic insurgencies have halted ethno-religious conflict in the border areas, there has been increased tension between Muslims and Buddhists. Some areas have seen increased ethno-religious conflict during the reform years. While the government has not been considered the instigator, it has been criticized for failing to act swiftly and decidedly when conflicts turned violent: It has especially been criticized for not securing the rights of the Muslim Rohingya minority in Rakhine state. The government has refused members of this group citizenship despite their long history in the country, choosing to label them as illegal immigrants from neighbouring Bangladesh. When the government has responded to ethnic clashes between Buddhists and Muslims, they have been accused of “unequal pursuit of Muslim over Buddhist perpetrators” (Ohmar 2013). As seen above, however, there have been fewer reports of army abuse of ethno-religious minorities since the peace process was stepped up in 2011.

The final point here is the transfer of power to a new government that is accountable to the people. The demand is that the transfer of power should be a result of an agreement between the military regime, the NLD and ethnic nationalities. The transfer of power after the 2010 elections was not a result of a negotiated agreement between the military and the opposition. However, it was at least on paper the transfer of power to a civilian government. The upcoming 2015 national elections and the formation of a new government in 2016 will further indicate whether the Myanmar has become more democratic. The political changes in Myanmar have meant that political parties are allowed, and that politicians from the opposition have been elected to parliament. Again,

despite major reforms, the expressed demands were only partially met by the time US sanctions were waived.

Unlike the United States who presented Myanmar with an extensive list of demands, the European Union demanded that the Myanmar regime made “a substantial improvement of the overall situation in Burma/Myanmar” (96/635CFSP 1996: paragraph 6). The developments listed here qualify as compliance with these demands, as the EU demands were not absolute. In spite of the failure of the reforms to fully meet the US criteria, I find it reasonable to consider the reforms as a case of compliance. The reforms took Myanmar in the general direction called for by the European Union and the United States, and made significant progress on all the points covered by the US demands. The European Union lifted its sanctions in recognition of considerable progress on Myanmar’s human rights issues. The United States has still not officially lifted its sanctions, and continues to demand full compliance. In practice, however, the United States have recognised the progress by releasing a presidential waiver which once again allows US businesses to trade with most sectors of the Myanmar market.

Myanmar has gone far in complying with an extensive list of demands, and the Western powers have gone far in recognizing it. The rest of this chapter considers whether Myanmar complied as a response to the sanctions when they realised that the threat of continued sanctions was real.

3.2 1988-1990 - THE FIRST SANCTIONS AND THE MYANMAR RESPONSE

As seen in Chapter 2, the United States first sanctioned Myanmar for grave human rights abuses in 1988, by imposing an arms embargo. The situation that had escalated in the months leading up to the State Law and Order Restoration Council (SLORC) takeover in September of that year was one where a violent response to peaceful protests had led to more protests, which again were crushed with a greater use of force. The situation was chaotic. One can assume that the military and political leaders focused on internal affairs rather than on the international response. Further, the initial impact of sanctions

was limited, and did not take long to impose. In such a case, it is possible that Myanmar failed to realise the threat of sanctions.

It is possible to see the decision to hold elections in 1990, for the first time since 1960, as a response to the sanctions. If the result of the 1990 elections were honoured, that response would have satisfied the sender states. However, the NLD was not permitted to take power despite its landslide victory in these elections. This was clearly against the wishes of the sender states (the European Union had joined the United States in imposing an arms embargo in 1990 (see Table 2.1). If SLORC planned to comply with the demands of Western states in 1988, any such plan was effectively abandoned when the democratic decision was set aside by late 1990.

However, the developments up until 1990 can be explained without giving the sanctions a role. Even if Myanmar understood the cost of sanctions, these were a minor threat to the regime compared to the threat posed by nationwide protests and a general strike lasting for months (Peterson Institute of International Economics). While they may have considered sanctions as costly in the long term, the regime faced an even more serious and immediate threat. In the short term, they had a simple choice. Either they could choose compliance – which would lead to continued instability – or they could choose non-compliance and crush the protests to regain control. The immediate cost of this in terms of Western sanctions was little more than losing an existing arms trade agreement with the United States, the possibility of arms-trade with the European Union, and non-humanitarian aid from the Western states. Myanmar had alternative arms suppliers, and political support from China that could compensate for the lost trade with Western powers.

3.3 1990-2013 – MYANMAR’S RESPONSE TO INCREASING SANCTIONS

The United States and the European Union imposed more sanctions as a response to the SLORC refusal to give up power in 1990. Since then, the Western powers introduced new sanctions incrementally over the next two decades as shown in Table 2.1. The sanctions were introduced in response to reported incidents of army violence and abuse of power, and reports on the general dismal human rights situation in the country.

Is there any evidence to support the hypothesis that Myanmar believed sanctions would be discontinued during these years without compliance? I have not found any. While the European Union has only a relatively short history of a common foreign policy, the United States has proved willing to maintain sanctions for a number of years. The most striking example of this is the embargo on Cuba that has lasted since 1960 (Drain & Barry 2010). Further, neither the United States nor the European Union had any close political or strategic ties to Myanmar. The country was not important economically, after the long history of Myanmar's self-declared isolation. Imposing sanctions on the country was therefore not costly for the sender states, neither in the short term nor in the long term. Moreover, sanctions are generally considered an acceptable political tool for domestic audiences, compared to alternatives such as military engagement. Thus, it is unlikely that SLORC/SPDC calculated that sanctions were likely to be removed in the case of non-compliance.

3.4 CONCLUSION

This chapter has not found support for H1, which states that Myanmar failed to comply when threatened with sanctions because they did not consider the threat of sanctions or the threat of a continuation of sanctions to be credible. While I argued that this could explain Myanmar's response in 1988 when sanctions were first imposed, I also found an alternative explanation: that Myanmar rationally chose to deal with its greatest immediate threat of internal instability before the long term threat of economic decline.

This chapter has found that Myanmar largely complied with the demands of the sender states. If Myanmar's compliance was an attempt to correct a mistaken judgement of the threat of sanctions in 1988, it should have managed to comply more quickly. A rational actor who has miscalculated the threat of sanctions will usually strive for compliance as quickly as possible. Postponing compliance will lead to unnecessary costs. If the Myanmar regime believed that compliance was in its best interest, it would not be rational to wait two decades to do it. H2 has been falsified and can thus not explain Myanmar's actions from 1990 onwards.

4. HYPOTHESIS 2: UNDERESTIMATING THE COST OF SANCTIONS

The previous chapter largely falsified the hypothesis that Myanmar did not expect the Western powers to impose the threatened sanctions. This chapter assesses the explanatory power of H2, the second hypothesis formed on the basis of the three scenarios Hovi et al. (2005) provide of cases where imposed sanctions can be effective:

H2. The threat of sanctions failed because the Myanmar government underestimated their costs. Sanctions were eventually successful as the Myanmar regime realised that their cost outweighed the benefits of non-compliance.

This hypothesis holds that imposed sanctions could become effective, if the cost of being a target of sanctions turned out to be so much higher than the target state initially predicted that it outweighed the benefits of non-compliance. According to Hovi et al., a target state may just gradually reach this conclusion. Compliance with sanction demands will then take time. The hypothesis holds that sanctions were costly enough to pressure the regime to change, but that they did not succeed prior to 2010 because the government failed to correctly assess their cost.

In Myanmar, it took 25 years from the first sanctions were imposed in 1988 until most of them were lifted in 2013. If sanctions were an important factor in the government's decision to reform, then why did the Myanmar government not introduce sufficiently radical reforms to get rid of them prior to 2010? Evidence for and against this hypothesis can shed some light on the changes in the country. This chapter will explain the Myanmar government's policy choices based on the changed conditions at the time when compliance finally set in. First, I look at how Western states imposed the sanctions to assess to what extent the costs were clear to the Myanmar junta. Second, I consider the rationale of Myanmar decision-makers in their reaction to the sanctions. This is intended to clarify the rationale for the military regime's reactions to sanctions before and after their imposition. Third, I place the direct effects of sanctions into a context of other reasons for change. I point to indirect effects of sanctions, to check whether they influenced these other factors. This chapter concludes that H2 has some merit in the

case of Myanmar: The eventual relative cost of sanctions was initially clouded by a number of factors, and only gradually became clear to the regime.

4.1 A SOFT IMPOSITION OF SANCTIONS

The design of the sanctions was not conducive to making the eventual cost of non-compliance for Myanmar clear. In Hufbauer, Schott and Elliott's comprehensive study from 1998 on the success rate of sanctions, they hold that sanctions work best if they are "forcefully implemented in a single step" (Hovi et al. 2005: 481). This was not the design chosen in Myanmar. Rather, the initial sanctions were primarily symbolic. The Western states then gradually expanded them to the comprehensive set of measures that existed by the time the Myanmar junta gave way to a constitutional government. There are three reasons why the initial sanctions in Myanmar had only a symbolic effect: The limited existing economic links between sender state and the target state; the target's alternative trading partners; and the sender states' reluctance to impose sanctions in a way that would hurt their own investments.

When the first sanctions against Myanmar were introduced in 1988, the isolationist Ne Win regime had hindered international trade for over 25 years. Because sanctions were imposed just as this policy was being reversed, the trade volume was still limited when the sanctions were introduced. While the initial sanctions did not prohibit trade with any other items than arms, they discouraged trade through removing Myanmar's preferential treatment as a trading partner and by condemning the junta. Thus, sanctions affected potential future trade more broadly. This effect was, and remains, hard to estimate.

Furthermore, Myanmar had alternative trading partners that were not applying sanctions. In the short term, most trade that was lost with the Western countries was compensated for by increased trade with regional trading partners, as Myanmar's transition to a market economy attracted investors from the region. The initial arms embargos imposed by the US and the EU only led Myanmar to import arms from Russia and China instead, and Myanmar's international trade increased during most of the

sanction years. Dependence on regional trading partners led Myanmar to be hit hard by the Asian financial crisis in 1997-98, but overall trade increased between 1988 and 2011 (Steinberg & Fan 2012: 208ff). Scholars researching sanction effectiveness have concluded, not surprisingly, that they are less likely to be effective if the target state “receives significant support from another state” (Miljkovic 2002: 1). Thus, little seemed to indicate that sanctions would have any crippling effect.

The third factor limiting the shock effect of sanctions was that the European Union and the United States initially chose to apply sanctions in a way that would not hurt their own economic interests. Thus, they avoided imposing sanctions on Myanmar goods that were hard to replace by suppliers elsewhere in the South East Asian region. Investors in labour-intensive sectors such as the textile industry have low start-up costs and could easily relocate production to factories elsewhere in Southeast Asia. The Western states could therefore sanction these industries without attracting protests from Western investors; these sanctions would not entail significant costs for the sender countries. In contrast, Myanmar’s rich oil and gas reserves constitute rarer commodities that required large initial investments. Losing out on these markets would be more costly for affected Western businesses. Thus, the textile industry - creating many jobs but generating only limited revenue for the Myanmar government - was hit more harshly by sanctions than the oil and gas industries. Extraction of natural resources is capital intensive and gives large revenues to those in charge of the resources without necessarily contributing much to employment levels in the country. John L. Hammond (2011: 351) summarises the factors characterising oil production that limit the economic effects of oil production for the populations in states with oil and gas resources:

Because [oil] is extracted, rather than produced, the oil industry is likely to be an economic enclave with few forward and backward linkages to the rest of the economy. [...] The high capital and technology demands mean that transnational oil corporations typically play a major role in production and distribution, further limiting its contribution to a national economy. Finally, as a capital-intensive activity, it generates relatively little employment.

The choice of which sectors to target seems mostly to have been motivated by domestic concerns in the sender states rather than regards for maximising the impact on the elite in the target state. This went against the expressed intentions of the sender states. The

Western powers, and primarily the European Union, claimed that they targeted the elite specifically in order to hurt the people as little as possible. However, the chosen design limited the sanctions' effect on the political and military elite. In reality, Myanmar became the target of a sanctions regime that hurt the people without significantly threatening the interests of the political elite in the short term. The incremental imposition of sanctions, the continued trade in central sectors and with some Western companies, the presence of alternative trading partners, and the limited trade between Myanmar and the Western powers were all factors that limited the shock effect of the sanctions.

As sanctions were gradually expanded in the 2000s, their material impact became more noticeable. With the US bans on imports produced from Myanmar goods and on companies providing financial services to Myanmar, the sanctions increased transactions costs for Myanmar trade with third countries. However, this led to the emergence of a black market with goods routed through Singapore (Min Zaw Oo 2013 [interview]). These black market trading routes were accessible for the elite of generals and cronies who had control over the economy, although the need for intermediaries increased the cost of trade. However, other businesspeople did not have access to such ways of accessing sanctioned goods (Kyi Kyi Nyein 2013 [interview]). Therefore, the sanctions continued to effect the elite less than others in Myanmar. This gave the elite an advantage as it limited their competition in the country (Min Zaw Oo 2013 [interview]).

According to Hovi et al., the cost of sanctions is only relevant insofar as it outweighs the cost of complying with sender states' demands. If sanctions are comprehensive yet do not outweigh the benefits of the target state's preferred policies, it can severely hurt the country without achieving the intended goal (Hovi et al. 2005). Thus, comprehensive sanctions will not work if the costs of compliance are high. Correspondingly, even weak sanctions can be effective if the costs of compliance are low. In other words, the nominal cost of the sanctions for the target state is not what determines their effectiveness; the cost *relative* to the cost of compliance does. The sanctions did not affect the regime much in the beginning but became gradually more

comprehensive. It is likely that the regime failed to assess the eventual relative cost of the escalating sanctions so they could correctly compare it to the cost of compliance.

The next sections of this chapter will outline the relative cost the Myanmar regime faced with either compliance or non-compliance to Western demands. To do so, I identify the regime's key priorities and assess the rationale for its reaction to sanctions based on a focus on securing these priorities. Then I look at the role of other factors affecting Myanmar decision-making, to show how sanctions affected them and how they in turn affected economic and political developments in Myanmar. I assess how these other forces for change in Myanmar influenced the relative cost of compliance, not least through lowering the benefits of non-compliance, of maintaining status quo.

4.2 MYANMAR'S PRIORITIES: SOVEREIGNTY, STABILITY AND UNITY

Certain priorities have been central for the Myanmar regime since Ne Win took power in 1962. I hold that the most central priorities in Myanmar are the need for stability, unity and sovereignty. These priorities are in line with the Realist assumption that states always have to ensure their survival as their first priority. I assess how the two decisions I examine in this thesis - non-compliance before sanctions were imposed and adaption to the demands from 2010 - fit with a regime acting rationally to serve those priorities and ensuring its survival.

An underlying assumption of my hypothesis is that the Myanmar government acted rationally to pursue its interests as best it could. According to H2, Myanmar believed that the threat of sanctions was real, but that the sanctions cost would be lower than the cost of yielding to the EU and US demands. By this hypothesis, their initial analysis was that non-compliance would serve the regime's long-term goals better than compliance. Further, that belief changed during the years with sanctions, eventually leading the government to introduce reforms.

4.2.1 External threats to sovereignty

Realist theories hold that maintaining sovereignty is a general priority for any state. This was crucial for Myanmar, where the government perceived the state's sovereignty

as threatened by foreign powers as well as by internal unrest. After a long history of foreign invasions and struggles for power, the state had been a British colony from 1885 to 1947. This experience, ending only forty years before the imposition of the first sanctions, led to wariness of following a dictate from Western states. Moreover, several states in Southeast Asia have a long history of fearing Chinese dominance. Balancing these two concerns provides an explanation for the Ne Win regime's decision to pursue isolationism for the 26 years leading up to 1988, however destructive it proved for the Myanmar economy. This explanation also helps to shed light on the behaviour of the Myanmar governments during the sanction years. Former President Than Shwe expressed this concern, saying that

once the sovereignty of our country is influenced in any way by others, it is tantamount to indirect enslavement under neo-colonialism. Hence the Tatmadaw [the Myanmar army] must ensure perpetuation of sovereignty at the risk of lives. (Gaens 2013: 23)

4.2.2 Domestic threats to sovereignty

Not only did Myanmar face sovereignty threats from foreign powers, the regime also faced domestic threats. The focus on preserving a united Myanmar favouring the Buddhist majority even at a great cost arose under Prime Minister U Nu's democratically elected regime (Cribb 2013: 6). This contrasted with the Panglong agreement of 1947. This was a negotiated agreement between the Aung San interim government and ethnic minority groups that could allow for a degree of autonomy, and a right of secession, for some of the major groups (Tønnesson 2014 [personal correspondence]). This change of policy resulted in ethnic insurgencies upon independence, as ethnic groups found the promises of autonomy broken. Further, the new state was under attack by communist insurgents who later got support from China. This situation created a need for a strong role for the army.

The failed attempts at democratic rule in Myanmar between 1947 and 1962 led to a belief that the conflict-ridden and diverse country would fall apart in the absence of a military government. The stability and unity of the country was once more seen to be threatened when countrywide protests broke out in 1988, and again in 1990 at the prospect of handing over power to a democratically elected party that lacked capacity

and experience in governing and that was not backed by the army. The survival of the SLORC, that had held power since 1988, came under threat by the unforeseen election result in 1990. Members of the junta risked punishment for their actions in 1988. Not only did they face the possibility of prosecution; it was also likely that the fragile stability of the country would suffer if the power of the army was depleted without a ceasefire agreement with insurgent groups. Thus, regime change could come at a high cost to the ruling elite, and potentially also to national stability.

4.2.3 The cost of sanctions against the costs of losing an army-backed national stability

Did sanctions threaten the regime's basic interests? Sanctions were imposed gradually and focused on certain sectors. During the first years their effect was mostly symbolic. The sanctions hurt the international standing of Myanmar through denying the regime access to international forums, and decreased access to Western markets. However, they did not severely threaten the state's survival. In fact, the government used the sanctions to create an image of an external enemy to enhance national unity: The sender states became a scapegoat for the economic problems, providing the government with someone to blame. At the same time as the cost of sanctions was low, the cost of compliance was high: the Western powers' demanded major reforms from SLORC, including regime change. Over time, the relative cost of both sanctions and compliance would shift, but the initial sanctions did not give the regime an incentive to comply.

In the 2000s, the sanctions moved away from a mostly symbolic implementation and had more impact. The sector most hurt by this was the textile industry. The export of garments had grown a great deal in the late 1990s, primarily to Western states (Kudo & Mieno 2007: 6). When the United States imposed sanctions on the textile industry in 2003, US investments in the sector shrunk from almost \$300 million in 2002 to zero in 2004 (Kudo 2008a: 1001). The US boycott of imports from Myanmar caused an estimated 180.000 workers in textile factories – primarily women with few other job alternatives – to lose their job (Seekins 2005: 442). A Congressional Research Service report stated that

Several analysts indicate that many Burmese women who lost their jobs in the textile industry as a result of Western sanctions are among the victims of trafficking for sexual exploitation. (Liana Sun Wyler 2008: 15)

While Myanmar's abundance of natural resources made the country an interesting trading partner for its neighbours, it lacked a significant comparative advantage in labour-intensive sectors. Myanmar's neighbouring states all have a large work force and relatively cheap labour available, so there was no real alternative market for the Myanmar workforce to replace the lost US demand for cheap labour (except through migration to Thailand). Sanctions thus came to have a real impact on the economy, and to have humanitarian costs.

However, the reduction in exports stemming from the sanctions on the textile industry did not lead to a general decrease in the value of trade. This was because it coincided with an increase in natural gas exports to Thailand from US \$114.2 million in 2000 to \$1497.4 in 2005. The Western oil companies Total, Unocal and Texaco were major partners in these gas extraction projects (Kudo & Mieno 2007). Although US sanctions blocked new investments in the oil and gas sector as well as in other sectors, oil corporations remained in business during the sanction years. As seen in Chapter 2, EU sanctions never included the oil and gas extractive industries. Investments in oil and gas extraction yielded large revenues for the state through taxation, land rental and involvement of state-owned industry. Thus, while sanctions hurt the Myanmar economy, they did not threaten the regime's survival even after they began to have a material impact.

The direct economic benefits of trade with Western countries are obvious. As sanctions became gradually more comprehensive, the cost of not yielding to the demands of the sender states increased. In contrast, the cost of compliance was high from the onset. The European Union made vague demands for measurable improvements in the human rights situation. This would mean a change in the political system of the country, and limitations on the army's hold on power. The United States went even further, with criteria involving a range of concrete political changes. In return for lifting sanctions, it demanded that the regime "no longer systematically violate workers' rights, including

the use of forced and child labor, and conscription of child-soldiers”, that it make “measurable and substantial progress towards implementing a democratic government”, that it release all political prisoners, allow freedom of speech, freedom of the press, and freedom of association and religion. Further, it required the regime to reach an agreement with the Myanmar opposition on the “transfer of power to a civilian government accountable to the Burmese people through democratic elections under the rule of law” (Ewing-Chow 2007:157f). Even when the regime began to feel the cost of the sanctions, these demands were extensive and difficult to meet. Moreover, they remained outweighed by the cost of compliance as long as the regime’s own security would be sacrificed by complying. As seen above, security was one of the top priorities for the regime.

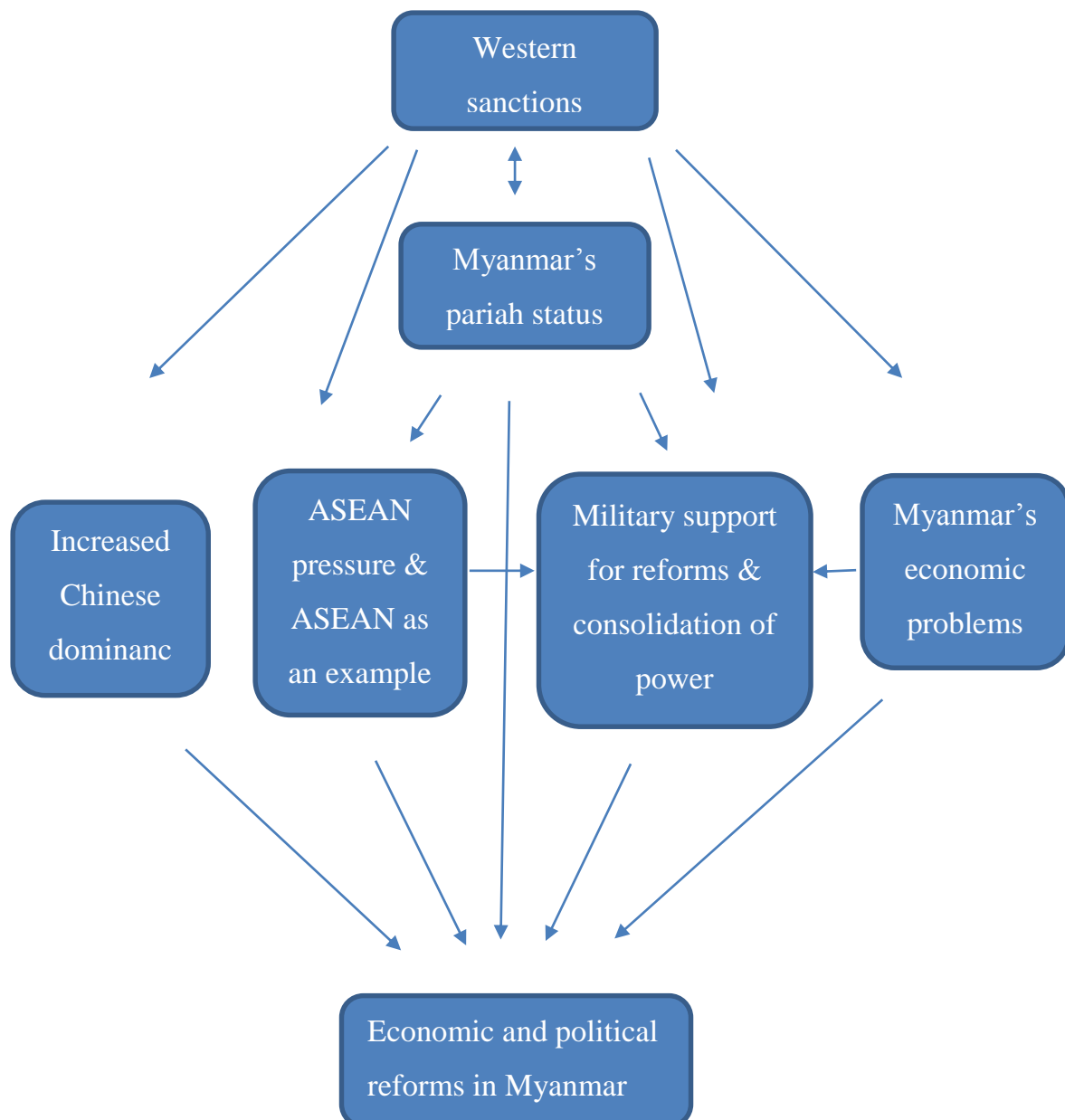
Myanmar’s hesitancy to comply was no longer a result of low benefits of compliance like it had been when sanctions were primarily symbolic. When sanctions got more of an impact in the 2000s, compliance remained more costly than non-compliance because the military regime benefited from status quo. Therefore, the *relative* cost of sanctions remained too low to alone compel Myanmar to change. With the Western powers’ influence in Myanmar being small, any further increase in sanctions was likely to have a minor effect. The major changes in Myanmar’s cost-benefit analysis of their response to sanctions could come through changes in the international and domestic context of the regime’s decision-making. This next section considers alternative forces for change, to see how they interacted with sanctions to create the conditions for reform.

4.3 SANCTIONS IN A HIERARCHY OF FORCES FOR CHANGE

The direct effects of sanctions outlined above combined with other factors to create a situation where reforms became preferable to the Myanmar government. Sanctions thus had indirect as well as direct effects. This complex web of forces influencing Myanmar complicated a cost-benefit analysis, clouding the eventual total cost of sanctions relative to the cost of compliance. Gaens (2013: 14) has pointed to these forces for change. He concludes that

the Western sanctions regime, including the EU's own "targeted sanctions", did deprive Myanmar of international recognition and status, and furthermore resulted in an imbalance in the foreign presence in Myanmar. A desire to regain international status, attract more diverse foreign investment and expertise from abroad to rebuild the economy, and balance the presence of international actors in Myanmar can therefore be seen as a secondary yet significant driver for change.

Figure 4.1 The path of influence of sanctions



The diagram above is a simplified illustration of how sanctions directly and indirectly influenced the Myanmar government's decision to introduce reforms. It is not meant as a comprehensive diagram of the forces for change in Myanmar, merely the ways in

which sanctions influenced the changes. Sanctions were not the sole cause of the other factors for change explored below, but had some influence on each of them. These alternative but linked factors are: Increased Chinese dominance/fear of China; ASEAN pressure; Myanmar's need for economic reform, and; military support for reforms. The following pages explore the effect sanctions had on each of these factors. Hovi et al. (2005) do not deal with indirect effects of sanctions, but such effects fit with H2 in that they gradually added new costs for the government, thereby tipping the balance of the cost-benefit analysis.

4.3.1 China's influence on Myanmar politics

China greatly increased its presence in Myanmar after the end of the communist insurgency in 1989. One reason for this was the fact that Myanmar followed the Chinese example in transitioning from a centrally planned autarkic socialist economy to a more market oriented system. Myanmar departed from its policy of isolationism just as sanctions were first introduced, and wanted trade and investments. Not just China, but India and the ASEAN countries as well, increased their trade with Myanmar after Myanmar shifted away from isolationism. However, the increase in Myanmar's trade with China was greater than that with other neighbouring states. The development of China's Yunnan province became especially dependent on raw materials and energy from Myanmar. The Chinese need for raw materials and the Myanmar need for trading partners and political protection led the two states into a "marriage of convenience", despite their long held scepticism to each other (Shee 2002: 34).

The increase in China's role in Myanmar provides a basis of two very different explanations for Myanmar reforms, which I assess in this section. The first explanation is that Myanmar wanted reforms to balance out the Chinese influence over its economy and politics. The other is that Myanmar was encouraged by China to introduce reforms. Both these explanations hold that reforms were introduced in order to get the Western powers to lift their sanctions against Myanmar.

Table 4.1: Exports to and imports from China, 1988-2013 (US\$ million)

Year	Imports from China	Exports to China	Total
1988	114.79	140.83	255.62
1993	164.83	324.66	489.49
1998	62.04	518.86	580.90
2003	169.53	907.71	1,077.24
2008	647.54	1,978.46	2,626.01

(Steinberg & Fan 2012: 209)

Table 4.1 shows the development of official Chinese-Myanmar trade since 1988. In 1988, Myanmar legalised border trade with China and the relations between the two countries improved (Steinberg & Fan 2012: 210). This was also the first year Myanmar was a target of Western sanctions. Table 4.1 shows two interesting developments in Myanmar-Chinese trade. Firstly, it shows a 925% increase in Myanmar-China trade during 20 years when Myanmar was a target of international sanctions. Secondly, it shows that the registered trade was increasingly unbalanced. Myanmar's imports from China grew by 464% between 1988 and 2008, while exports to China increased by 1305%. Chinese imports from Myanmar came mainly from the extraction of natural resources, such as timber, gems, oil and gas, and agricultural produce,⁵ while Myanmar imported processed goods (Min Zaw Oo 2013 [interview]). The decreased Myanmar exports in 1998 was a result of the Asian financial crisis of 1997-98, which affected Myanmar harshly because of its dependence on regional trading partners.

This trade pattern forms the background for the first explanation about China's role in the changes in Myanmar. Several researchers, such as Shee (2002: 38) and Steinberg & Fan (2012: 208) have pointed to the SPDC's desire to resume relations with Western countries in order to balance the growing Chinese influence on their politics and economy. The Chinese activity in Myanmar led to only modest improvements in the Myanmar economy. Because of the practice of bringing Chinese nationals in as guest workers on Chinese-invested projects (Gaens 2013: 24), they did not lead to much job

⁵ Table 4.1 does not include the substantive illegal border trade, which could somewhat alter the balance. As mentioned in the introduction to this thesis, it is hard to find reliable statistics regarding Myanmar.

creation. Further, some of the major energy and mining projects attracted negative attention domestically for leading to environmental degradation and forced relocation of locals (Kyi Phyo Wai 2002, Zu Tao 2012). Because Chinese projects received much negative attention, a case can be made that China over time was viewed less as a saviour and more as a destabilizing factor.

Finally, Myanmar mainly exported raw materials and imported manufactured produce. Therefore, the value added of the exports was lower than would have been the case if Myanmar had processed its raw materials before exporting. The jobs from processing Myanmar raw materials were created in China instead. China was in a position to dictate the terms of trade because of a lack of alternative trading partners, which in turn was partly a result of Western sanctions (Kudo 2008b). Hence the cost of dependence on China grew in the eyes of the regime – which again decreased the benefits Myanmar got from maintaining status quo through non-compliance.

This first explanation for China's role in the reforms fits well with what I have proposed earlier in this chapter; that the Myanmar government's perception of the costs of sanctions gradually changed. However, the regime did not only fear the material impact of sanctions. The strengthening links between Myanmar and China, which originally softened the blow of the sanctions, became an additional cause for concern and could be seen as a threat to Myanmar's sovereignty. Myanmar depended on China both economically and politically as a protector against UN resolutions, and this left the regime in a weak bargaining position vis-à-vis Beijing. The Chinese dominance as an investor and protector gave it power over Myanmar political decisions as well as its economic decisions. The threat of Chinese dominance was especially acute because of China's reputation as a destabilizing force in the country. Myanmar's leaders had not forgotten how the Chinese civil war had spilled over into Burma in the 1940s-50s and how Beijing, up until 1989, had supported the communist insurgency (Kudo 2008b: 87).

From a rational choice perspective, the cost of dependence on China and the instability caused by local resentment against the behaviour of Chinese investors and businessmen came to outweigh the benefits of having a friendly trading partner with a great need for Myanmar's natural resources. This lowered the benefits of non-compliance compared

to the cost of compliance. The *relative* cost of sanctions thus would have become higher even without any further increase in the sanctions, because the benefits of status quo decreased as Myanmar's valued sovereignty was undermined. However, this happened at the same time as the direct cost of sanctions increased because new sanctions were introduced, as seen in Table 2.1. The most notable increases of the sanctions came in the 2000's with the US investment ban, BDFA, of 2003; the more limited EU investment ban, Common position 750, in 2007; and the US ban on providing financial services and on importing products made from Myanmar gems, the Tom Lantos JADE Act, of 2008.

The build-up of Western sanctions and criticism against Myanmar further increased the military regime's dependence on China, economically as well as in terms of political security. Western isolation and Chinese interest combined in decreasing the decision-making room of the military regime, and also its sovereign territorial control. The expansion of Chinese economic involvement and the Western sanctions resulted in a situation that would have been hard to predict at the onset of sanctions. The benefits of compliance had initially been mainly economic. Over time, they also became a way to reduce Chinese dominance. The Myanmar regime, eager to protect its sovereignty, could now also benefit from increased independence if complying with sanction demands.

The second, very different, explanation concerning China's role in the process leading to compliance is that China *encouraged* reforms, i.e., compliance, because it was in China's own interest to see the sanctions being lifted. Joakim Kreutz (2014 [personal correspondence]) and Steinberg and Fan (2012) have suggested that China persuaded Myanmar to reform in a way that would satisfy Western demands. While some Chinese business interests had benefited from Myanmar's dependence on China since they avoided potential competition, the Chinese support for the regime attracted negative Western attention to Chinese policies.

Moreover, Myanmar energy (in the form of oil, gas and hydropower) became increasingly important for China. The Chinese plans launched in 2000 for the

development of Western China, and particularly the development of Yunnan province bordering Myanmar, would benefit from a rapid development of Myanmar's energy sector and infrastructure (Tønnesson 2014 [personal correspondence]). Thus, Myanmar's economic performance became a more central Chinese interest. China had invested large sums into improving Myanmar infrastructure in order to facilitate trade, but could benefit from Western involvement in developing the country (Kreutz 2014 [personal correspondence]). Steinberg & Fan (2012: 359) sum up these arguments:

China wants two things from U.S.-Myanmar relations: China wants the U.S. to improve relations with Myanmar to the extent that China will no longer be criticised for the poor political record of [the Myanmar capital] Naypyitaw; and China wants U.S. investments to improve the Burmese economy and to share that burden with China.

Joakim Kreutz (2014 [personal correspondence]) further expands on the argument of Chinese support for Myanmar reforms by showing how sanctions increased the transaction cost of China's Myanmar activity. This was especially true of the sanctions imposed in the last half of the 2000s – affecting the banking sector and third country businesses cooperating with targeted business in Myanmar. After 2006, Western powers targeted any corporation involved in money transfer to Myanmar. As a result, Chinese investors had to go through intermediaries in Singapore to fund their projects. The sanctions imposed in response to the SPDC crushing the protests known as the Saffron Revolution of 2007 also affected China directly as they targeted third-country businesses involved in Myanmar.

Moreover, Chinese products in Myanmar could increase their profits if the Myanmar economy developed, and opening it up to Western trade could achieve this. By encouraging reforms, China could obtain an economically performing and more secure ally (Tønnesson 2014 [personal correspondence]). China would benefit from being able to import, process and re-export Myanmar goods without risking to be targeted by sanctions. As an additional benefit, reforms and economic growth could leave Myanmar stable enough not to threaten the security of Chinese investments. Thus, sanctions in Myanmar became an extra cost for China, and Chinese policy-makers interested in the development of Western China found that the benefits of Myanmar reforms outweighed the costs (Kreutz 2014 [personal correspondence]).

These factors combined to create a compelling Chinese reason for urging the SPDC to reform. During the 1990s, China had itself been a target of Western sanctions in response to crackdown on protesters. As China refused to comply, they did not pressure Myanmar to at that point. By mid-2000s, China's transformation of its economy had led to a much more open economy, and as shown above they could now benefit from an improvement in Myanmar's reputation (Tønnesson 2014 [personal communication]). The argument that China encouraged the Myanmar reform process is supported by the fact that the first direct meetings between US officials and representatives of the Myanmar regime took place *in Beijing* in 2007 (Wikileaks 2009). The fact that China supported the implementation of the 7 Step Roadmap "as ardently as other states have opposed it" supports the argument (Steinberg & Fan 2012: 160). By this explanation, sanctions indirectly became one reasons for Myanmar compliance, in that they made it more rational for China to support reforms. As outlined above, Myanmar was dependent on Chinese support, partly as a result of the sanctions.

Combining these two factors, sanctions had an effect both on the Chinese desires concerning Myanmar and on the strength of Myanmar's wish to become less dependent on China. While the factors are different, they are not mutually exclusive. Myanmar wished to reform in order to reduce the dependence on China. Further, China came to support Myanmar reforms as it would also benefit from the sanctions being lifted – even though it would risk more competition on Myanmar markets. China had the economic power to punish Myanmar if it had been opposed to reforms and compliance. This would have heightened the cost of compliance for Myanmar. There has not been signs of China punishing Myanmar, even when Thein Sein's government decided to suspend the building of the Myitsone Hydropower project that was to supply China's Yunnan province with energy (Zuu Tao 2012). This points to Chinese support for reforms. Because Myanmar could reform without alienating China, the cost of compliance with Western demands was lowered.

4.3.2 The Association of Southeast Asian Nations (ASEAN)

The Association of Southeast Asian Nations (ASEAN) chose a middle ground between the Western powers and China when dealing with Myanmar. While the organisation

acted from a principle of non-interference, it was pressured by Western powers in their attempt to isolate the Myanmar government (Gaens 2013: 21). The European Union reacted to ASEAN's decision to include Myanmar as a member state in 1997 with putting most of the political cooperation between the organisations on hold (Petersson 2006: 564). The two regional organisations continued attempts at closer cooperation through the Asia-Europe Meetings (ASEM), and managed to increase trade significantly, but the EU pressure on ASEAN to change its Myanmar policies continued to complicate the economic cooperation (Petersson 2006).

Through gradually expanding the sanctions, Western governments maintained their pressure on Myanmar. By defining Myanmar as a pariah state, they made it less acceptable for others to trade with the country. Through economic sanctions and by barring Myanmar's access to international forums, the Western states maintained the image of the Myanmar government as illegitimate. Thus, they stigmatised Myanmar's trading partners by association. This became more concrete when the United States began targeting businesses involved in Myanmar and monetary transactions to Myanmar with the Tom Lantos JADE Act of 2008. With the US dollar's standing as a world currency and with the major companies delivering financial services being American, this affected investors in third countries wishing to trade with Myanmar. This increased the transaction cost of Myanmar produce, even to its neighbouring countries (Min Zaw Oo 2013 [interview]). The barriers posed by Western sanctions heightened the pressure on third countries like the ASEAN states to encourage Myanmar to change.

It is, however, important not to over-emphasize the defining power of Western states in ASEAN-Myanmar relations. Within ASEAN, Thailand was most vocal in its critique of the Myanmar regime. The Thai attitude to Myanmar is better explained by the security threat a conflict-stricken neighbouring state posed to the country than by a wish to satisfy the European Union and the United States. As a reaction to unrest in Myanmar, Thailand saw a large influx of Myanmar refugees. Further, the Myanmar army crossed into Thai territory on multiple occasions, attacking insurgent bases there. Occasionally, Thai soldiers and civilians were killed in these operations (Cribb 2013: 46). In 1999,

armed student activists from Myanmar seized control of the Myanmar embassy in Bangkok, keeping tourists and diplomats hostage for almost 24 hours. Moreover, besides the military security concerns the unrest in Myanmar caused Thailand, the Thai government was also worried about the drugs inflow from Myanmar as well as its economic interests in the Myanmar energy sectors (Cribb 2013). Combined, these factors gave the Thai government ample reasons to criticise Myanmar and encourage reforms, without the added incentive posed by the trade barriers provided by the sanctions.

Though ASEAN at times placed some pressure on Myanmar to change, the main effect ASEAN had on the country was to allow the Myanmar elite to compare their performance to that of comparable states. Myanmar's political elite interacted increasingly with their neighbouring countries after Myanmar joined ASEAN in 1997. This concrete departure from isolationism meant that the elite became more acutely aware of how Myanmar lagged behind its neighbouring countries. When the 7 Step Roadmap was launched in 2003, Myanmar had a lower per capita trade volume than any other ASEAN member state; even Cambodia, Laos and Vietnam, who all transformed into market economies at the end of the Cold War. In fact, Cambodia's per capita trade volume was more than three times that of Myanmar at that point, while Vietnam's was more than five times greater (Kudo & Mieno 2007: 6).

In addition to the example of the ASEAN as a group of economically more advanced countries, Indonesia proved a shining example of how to democratise and develop economically without sacrificing the privileged role of the army. As Gaens (2013: 11) puts it,

[Indonesia's] "controlled democracy" focussed on a strong, nominally-civilian regime with a heavy military component, and on development and economic growth.

Representatives from Myanmar visited Indonesia from 1993 – five years before the fall of President Suharto - onwards, to study its political developments. In Indonesia, the strong role for the army was enshrined in the constitution and the army retained political power even after the country became an electoral democracy. There are clear similarities between these political developments and with the political system under

development in Myanmar today (Gaens 2013). ASEAN thus provided Myanmar with an example to adhere to in more ways than one. The prospect of economic growth rates similar to its neighbouring countries put additional pressure on the state to change, while the political process in Indonesia provided an example for how it could be done at an acceptable cost to the military. This was important in changing the government's view on the necessity of reforms (Gaens 2013, Horsey 2013 [interview]).

The ASEAN-Myanmar relationship was influenced by the Western powers, especially the European Union because of the pressure it placed on ASEAN during the EU-ASEAN trade negotiations. While this did not stop ASEAN from admitting Myanmar as a member state, it was most likely influential in ASEAN's pressure to persuade Myanmar to abstain from chairing the organisation when its turn came in 2006. However, as the ASEAN critique was as limited as it was, the other role ASEAN played in Myanmar – providing examples of Southeast Asian development – is likely to have had more importance for the SPDC's decision to reform. This was not an effect of sanctions. However, it increased the SPDC's perceived cost of non-compliance, and thus, had an effect on the *relative* cost of sanctions.

4.3.3 Myanmar's need for economic reform: Barriers to international trade

Sanctions set barriers to trade with Western countries, and to a lesser extent to Myanmar's trade with third countries. Economic and political reforms in Myanmar could lead to an improved international reputation and to an end to sanctions, but this was not the only potential benefit of reforms. Trade was also impeded by domestic economic policies. These would limit foreign investments even in the absence of externally enforced sanctions, as they made investing in Myanmar risky. First, the country retained remnants of their pre-1988 centrally planned economic system. The government controlled the trade flow in some sectors and treated state-owned businesses preferentially (Kudo & Mieno 2007). This discouraged foreign direct investments. Weak legislation on investments increased the risk of investing. In addition, the state owned all land. Foreign companies could not buy land, and risked nationalisation of their businesses.

Second, the government refused to change the official exchange rate that remained pegged at 6 kyats to a dollar despite an increase in the amount of kyats in circulation. This led to a large “shadow economy”, with an unofficial exchange rate of up to more than 1000 kyats to a dollar. Because registered international trade had to use the official exchange rate, it became much more costly than the unregistered border trade and damaged the country’s competitiveness (Dapice et al. 2011). This was a challenge to anyone wanting to do legal business with Myanmar, not just investors from the United States or the European Union. Myanmar could attract more investments by reforming its economy even if the sanctions remained, as the sanctions had failed to isolate the country. A further thawing of relations with Western powers can therefore be seen as a by-product of implementing economic reforms; they increased the cost of non-compliance.

Politically, the Myanmar military regime repelled investors who wanted to be perceived as ethical. Political reforms and an improvement of the human rights situation in the country could thus lead to increasing foreign investments regardless of sanctions. This cause for change is closely related to the Western sanctions policies, as the sanctions were instrumental for maintaining the picture of the Myanmar government as illegitimate. By imposing comprehensive sanctions on Myanmar, the European Union and the United States defined Myanmar as one of the countries it was most ethically problematic to invest in. This effect was clear in the European Union, where investors even in industries not targeted by EU sanctions chose not to invest in Myanmar to avoid bad publicity. To sum this up, the Myanmar need for foreign investments would benefit from reforms even if sanctions remained in place. The need to reform the Myanmar economic policies was an incentive to reform that did not depend on the ease of sanctions. While the lifting of sanctions would open up Myanmar to new markets and signal that it was no longer ethically problematic to invest in Myanmar, this was only one of the benefits of economic reform. Than Shwe’s initiation of reform was, according to Min Zaw Oo (2013 [interview]) triggered by “the recognition that the old [economic] policy failed”.

4.3.4 Military support for reforms

Economic reforms could not have been implemented in Myanmar if the army had been against it. It would be risky to implement reforms contrary to the will of the military as the military elite was used to acting as the political elite. Such reforms could result in a coup, as President U Nu's policies did in 1962. Further, in the absence of a functioning civil service, military leaders had to implement the reforms themselves. Support from the army was a necessary factor for change.

Francesco Giumelli and Paul Ivan (2013: 28) largely dismisses Western powers' influence over the Myanmar reform process:

The choice was made within the ruling elite and, if external factors did play a role, it is likely to have been the overbearing political and economic presence of China and the lack of development compared with other ASEAN economies.

These factors, however, relates to the other factors mentioned above: The army changed its views on how to respond to sanctions as a result of a changing situation in which their interests were better served by committing to reforms. The relative cost of the sanctions changed both because their absolute cost increased and – notably – because the cost of compliance decreased.

Three factors influenced the military elite in addition to the sanctions: The pressure from, and example of, ASEAN, Myanmar's bad reputation, and the weak economy. As the diagram shows, all these three factors were to some extent influenced by the sanctions. In addition, sanctions influenced the military leadership directly through the visa bans imposed on individuals linked to the regime, and through threatening their personal economic interests. As this section has argued, it also influenced the leadership indirectly by affecting the state's foreign policy and economic relations with third countries who did not impose sanctions. All of this gradually led the Myanmar elite's preferred policy alternative to change.

There was a consensus about [the necessity of being economically reintegrated into the international community], so the expected push-back from the army didn't materialize. Rather, the army was in the forefront. Because of this consensus that had developed in the minds of the political elite over years, the changes went much more quickly than Than Shwe and the world had expected. (Horsey 2013 [interview])

The comprehensive sanctions threatened the business interests of army generals, and the bad reputation of the state was a strain on Myanmar's relations with other countries. However, the military would not get the benefits of compliance if compliance led them to be ousted from power and prosecuted, which was not unlikely. However, the 7 Step Roadmap led the regime to consolidate its power through the new constitution. The constitution secured the military's role through granting it one quarter of seats in the national assembly, the right to appoint the Minister of Defence, and the right to refuse to follow orders from the government if it threatens national security (Tønnesson 2014 [personal correspondence]). Further, the ceasefire agreements the government signed with armed groups relieved the main threat to national stability. SPDC also increased its security by moving Myanmar's capital to the isolated town of Naypyitaw in central Myanmar in 2006, away from the capital that had been a place of civil uprisings. Donald M. Seekins (2009: 69) write that

a major reason for the capital relocation to Naypyidaw was the Tatmadaw officer corps' profound fear of a popular uprising, which in 1988 was seen to pose personal danger to themselves and their families.

The feared negative response to economic and political reforms from the army did therefore not materialise. Domestic support for reforms grew with the increasing understanding of the relative cost of sanctions, and the military's consolidation of power meant that their cost of compliance decreased. With a new leader in power from 2011, the government could implement comprehensive reforms without the audience costs that could result from prime minister Than Shwe appearing to backtrack on his earlier policies.

4.3 CONCLUSION

The design of the EU and US sanctions – with incremental imposition – made it hard to predict the final cost. As the sender states gradually increased their sanctions, the extra impact on each occasion was not sufficient to force a change. Moreover, as researchers did not predict the negative effects of China's influence on Myanmar's economy and

politics, it is unlikely to have been part of any Myanmar cost-benefit analysis back at the time when the country first faced the threat of sanctions.

The authoritarian regime had sufficient control over the economy to shift the costs of sanctions away from itself, so the cost on the elite remained limited throughout most of the years of sanctions. In contrast, the cost of compliance was initially high, as compliance could potentially threaten both the elite's security and the stability of a country held together only by a strong military. Over time, the balance of costs and benefits changed. This was partly because sanctions became more substantial, but it was equally important that the cost of compliance decreased. The increasing Chinese influence over Myanmar decision-making reduced Myanmar sovereignty even in the face of sanctions, and increased contact with ASEAN demonstrated the growth potential of being integrated in the global economy. Further, the regime's consolidation of power decreased the threat reforms previously posed to their security.

Although this chapter has shown how the sanctions were not the only factor influencing Myanmar's policy change, I find support for H2. I have not found any evidence to contradict or disprove it. The total costs of sanctions, including the costs indirectly attributed to sanctions, made it hard for the elite to pursue its preferred policy choices over time. As a result, the government implemented reforms in a way that satisfied the demands made by the European Union and the United States. This supports the hypothesis that the regime changed its policies when the relative costs of sanctions unexpectedly increased to a level where compliance became rational.

5. HYPOTHESIS 3: THE PERCEIVED INEVITABILITY OF SANCTIONS

So far, the analysis has tested whether the sender states underestimated the threat or relative cost of sanctions. This chapter considers the merits of my third hypothesis:

H3. The threat of sanctions failed because Myanmar believed the sender states would impose and uphold sanctions regardless of its response to the threats. Sanctions became effective when the government was convinced that the sanctions would be lifted if Myanmar complied with the demands.

This hypothesis posits that the threat of sanctions was credible, and that the cost of sanctions would outweigh the benefits Myanmar would get from following its preferred policy choice. However, the Myanmar government believed that the sender states would impose the sanctions regardless of their response to the threats. Thus, it had no incentive to comply with Western demands until this belief was changed. This chapter will begin by testing the first part of the hypothesis. It will consider *which criteria* the sender states stated, and *how* the sanctions were imposed. The design of the sanctions and what the Western powers demanded of Myanmar open up for different interpretations of the actions of the Western states. Therefore, answering these questions can help answer the question of whether the Myanmar government believed sanctions were designed to produce change. The Myanmar government could not be sure that compliance would be rewarded if compliance was not the Western objective, and in that case there would be no incentive to reform.

The second section of the chapter aims to explain the eventual changes in Myanmar. If Myanmar's initial non-compliance was a result of a belief that sanctions were inevitable, a change in this belief could lead the Myanmar government to change. According to Hovi et al. (2005: 489) the target state can yield to the demands if

[...] the threat is both credible and sufficiently potent and [if] after the imposition of sanctions the sender makes it unequivocally clear, via negotiations or a formal decision by an international body, that sanctions will be lifted if the target reconsiders.

Thus, to analyse this part of the hypothesis, the latter section of this chapter attempts to identify *events* that could have led the government to change its interpretation of the situation.

5.1 DID THE SANCTION DESIGN MAKE THEM APPEAR INEVITABLE?

5.1.1 Criteria for lifting sanctions: Unfeasible demands for change?

The United States and the European Union pointed to similar reasons for imposing sanctions, such as a democratic deficit, army violence against civilians and systematic human rights violations. However, as seen in Chapter 3, the demands they made on the Myanmar government differed. The European Union formulated only vague criteria for compliance, while the United States gave clear instructions about what had to change.

The EU demands left the union free to decide when Myanmar had changed enough for them to lift the sanctions. They demanded “a substantial improvement of the overall situation in Burma/Myanmar”, in which case “not only the suspension of the aforementioned measures, but also the gradual resumption of cooperation with Burma/Myanmar will be considered, after careful assessment of developments by the Council” (96/635CFSP 1996: paragraph 6).

For the European Union, this was a way of leaving its options open. Without clear criteria, the European Union could decide for itself when it wanted to lift the sanctions. It would not be impossible for Myanmar to achieve ‘substantial improvements’. However, the government could not know whether their interpretation of the term was the same as the EU interpretation. Thus, they risked striving towards a goal that was more distant than expected. Lack of a clear goal may have negatively affected the Myanmar government’s incentives.

With the United States, the situation was different. When they expanded their sanctions to get a real material impact in 2003, they came with an extensive checklist for what they wanted the Myanmar government to do (see Table 3.1). However, while these demands made it clear how Myanmar had to reform, they were highly comprehensive. It would be costly and time consuming for Myanmar to meet all US demands. Further,

the United States presented these as necessary demands, but Myanmar was not guaranteed that these demands were sufficient to satisfy the sender. This may have been true of the European Union as well, although the European Union remained less categorical in their approach to Myanmar. Even if the necessary conditions the United States presented were sufficient, the sanctions violate Miljkovic' first condition for effective sanctions: that only "modest policy change is sought" (Miljkovic 2002: 1). The failure to meet this condition could make Myanmar question whether US policy makers were dedicated to coercing changes in Myanmar. Zakaria (2007) claims that "[w]ith countries like Burma, sanctions have become a substitute for an actual policy". He criticizes how the United States and the European Union imposed new sanctions after each report of government crackdowns on protesters, despite their "dismal record". (Zakaria 2007). If the Western Powers imposed sanctions to show that they reacted to news of human rights violations, they may not have been interested in the regime's ability to meet the demands. If the aim was not primarily coercion, then Myanmar had no guarantee that they would reward reforms by lifting the sanctions.

5.1.2 How sanctions were imposed – costs and benefits of unilateral sanctions

Although multiple actors imposed some forms of sanctions against Myanmar, there was no co-ordinated sanction response. According to Miljkovic (2002: 1), sanctions are more likely to be successful if "there is international co-operation in the [their] imposition". On the other hand, imposing sanctions unilaterally leaves the sender state more in control of their policies – the sender states were free to adapt or suspend the sanctions at will. Further, as the European Union opted for targeted sanctions while the United States opted for more comprehensive sanctions, co-ordinating the strategies would mean a trade-off for one or both actors.

The choice of unilateral or multilateral sanctioning seems to be one between freedom and adaptability on the one hand, and increased likelihood of success on the other. The Western powers chose the least binding alternative, even if it violated a criterion for sanction success. Imposing the sanctions unilaterally lowered the cost by not having to coordinate a response. If the states had different ideas about how to succeed with sanctions, it makes sense that they were unwilling to cooperate in imposing them. This

also meant that actors were free to design sanctions in a way that would safeguard their differing economic or political interests.

5.1.3 An alternative reason for imposing sanctions: Sending a signal

Could rational states impose sanctions and not intend for them to be effective? Sanctions can have effects other than the ones expressed. Giumelli (2011) concludes that the most common reason for imposing sanctions is to send a signal – to home constituencies or to foreign observers. Sanctions imposed for this reason can have an effect even if they don't compel the target to change.

Myanmar is of strategic interest to its neighbouring countries, located as it is at the intersection of the major economies of China, India and ASEAN and providing China with access to the Bay of Bengal. It is, however, not of significant strategic interest to Western powers. Decades of isolation marginalised the country in international affairs. Richard Horsey (2013 [interview]) describes Myanmar as an easy target for the sender states; “the perfect donkey to beat”. It became a useful target for states wishing to demonstrate a dedication to human rights without facing the costs of alienating an important trading partner such as China. This also provides a reason for the incremental imposition of the sanctions. By spreading the imposition of sanctions out over 25 years, the sender states were able to repeatedly confirm their devotion to human rights without incurring the political costs of criticizing states more central to EU and US interests. Kyi Kyi Nyein, as a Myanmar businesswoman, hold that “in a way, the Western states were worse than the [military regime]”, because of the hypocrisy of how they made life harder for people in Myanmar without engaging in actively pushing for changes in order to demonstrate their dedication to human rights.

Giumelli (2011: 63) finds that the aim of signalling is the most common objective for sender states. Sanctions aimed at signalling can lead to changes in the target state if it acts to improve its tarnished reputation, but they do not require the target to change in order to achieve its aim. While the objective of signalling can be combined with an intention of compelling the target to change, sanctions aimed at compelling the target to change are less likely to succeed if the sender state also uses the sanctions for signalling purposes. Sanctions aimed at signalling are characterised by not having a

material impact on the target. The US sanctions can be seen as signalling until the BFDA of 2003, while the EU sanctions remained so until the 2007 Common position 750. However, even after comprehensive sanctions were imposed, the Western powers were too economically insignificant to be able to constrain Myanmar through restricting trade. Steinberg & Fan (2012: 358) write that

the Chinese response has been one of quiet diplomacy with the Burmese, while the US, because of its transparent political process, prefers public, often heterogeneous, displays of concern or anger.

This is in line with the idea of using sanctions to signal dissatisfaction with Myanmar. Western states were unable to coerce Myanmar to change or to constrain it solely through limiting its access to goods. Therefore, their main effect – using Giumelli's typology of sanctions as either coercing, constraining or signalling – remained primarily signalling. Giumelli and Ivan (2013: 32) conclude that:

The case of Myanmar shows that sanctions can play only a marginal role if the strategy does not intend to go beyond signalling to domestic constituencies (Giumelli & Ivan 2013: 32)

In contrast to the research stating that autocratic leaders can manage to divert the cost of sanctions away from themselves, the sender states found support for sanctions among parts of the Myanmar opposition. In a video tape smuggled out of Myanmar in 1996, NLD leader Aung San Suu Kyi called for more sanctions. She dismissed the claim that sanctions hurt the people, stating that "I think that the only people whom sanctions will affect are the privileged." (Reuters 1996). Aung San Suu Kyi's respected position and access to Western media gave Western governments justification for their policies, increasing the signalling effect as sanctions seemed to be in line with the wishes of the people of Myanmar.

There are some indications that Western states intended for sanctions to serve domestic interests. The role of domestic interests in creating their sanction criteria is illustrated by the US demand for tackling the smuggling of drugs from Myanmar.

5.1.4 Decreased smuggling of drugs from Myanmar as sanction criterion

One of the US arguments for stepping up the sanctions with the BFDA in 2003 was the significant Myanmar drugs production (108th Congress: 2.8). Myanmar is the world's second largest producer of opium (after Afghanistan), and the largest producer of methamphetamines (Wylter 2008: 10). Much of the heroin in the United States comes from Myanmar. The United States supported government efforts to combat production and smuggling of drugs up until 1988, when it terminated the support as a reaction to the violence (Steinberg 2010: 105).

The flow of drugs from Myanmar to the United States made it possible for US policy makers to present developments in Myanmar as a national security issue. This increased the chances of congressional support for sanctions, by making sanctions part of the US war on drugs instead of solely a human rights issue. However, Congress criticised the SPDC for failing to eradicate opium crops while at the same time stopping US efforts to help it tackle the issue:

In 2002, the United States and the junta met quietly to discuss steps to take Myanmar off the international narcotics list, but a number of congressional members sought to continue to isolate the regime, preventing this. (Steinberg 2010: 105)

It was emphasized that drug money within Myanmar funded the ethnic conflicts, but toned down that the main beneficiaries of drug money were ethnic rebel forces not directly targeted by sanctions. Hindering production and illegal border trade would be costly and difficult for Myanmar, even if the government wished to satisfy the demands. Most opium in Myanmar is grown in conflict-ridden border-states, primarily by poor farmers (BBC 2012). Thus, governmental control over the growth of opium poppies has been limited. As the government destroyed fields of opium poppies, the production of methamphetamines increased. Poppy fields can be seen on satellites, but the poor infrastructure in Myanmar makes it hard to discover producers of methamphetamines.

Sanctions research was available to US policy makers, concluding that for sanctions to be effective, the demands must be possible for the target to meet. While limiting drug export was not a formal demand, its inclusion in the BFDA presents it as something the

United States expect the SPDC to be able to tackle. In 2008 a Congressional Research Service report stated that analysts feared that

should the SPDC begin to combat the drug trade more vigorously, current ceasefire groups may choose to break their agreements with the SPDC in order to protect their drug trade territories. (Wyler 2008: 6)

The sender states – in this case the United States – thus knew that eradication of opium fields was difficult, that the producers were difficult to target through sanctions, and that compliance could cause problems for Myanmar's fragile national stability. While the production of opium shrunk during the 2000s, Wyler concludes that "U.S. policies have not yielded substantial leverage in combating transnational crime emanating from Burma" (Wyler 2008: 16). The decrease, she holds, is to a large extent the result of a decision by the rebel group the United Wa State Army to stop providing the opium and heroin markets (Wyler 2008: 6f). It is reasonable to question the US commitment to decreasing the flow of drugs from Myanmar, or whether sanctions were in fact not solely created to coerce change within Myanmar. Policy makers had either not looked into research on effective sanctions before designing those for Myanmar, or they had chosen to disregard the advice found in previous studies. Either option shows a lack of commitment designing effective sanctions, if effectiveness is measured by change in Myanmar rather than by satisfying domestic interests.

Did the factors discussed in this section lead the SLORC/SPDC to believe that sanctions would be retained even if it complied with Western demands? Not necessarily, but they did give SLORC/SPDC reason to question whether this would be the case. The Western powers demanded changes that were either unclear or impossible to meet in the short term. This lends partial support to the first part of H3 – that the threat of sanctions failed because Myanmar could not be certain about the benefits of compliance – but it only explains the initial lack of compliance with Western demands. In order to support the hypothesis, the fear that sanctions could be maintained regardless of the regime's compliance must have been stilled at some point.

5.2 A CHANGED PERCEPTION OF THE BENEFITS OF COMPLIANCE?

Was there a change in the Myanmar government's perception of the benefits of compliance? If Myanmar's analyses about their options in the face of sanctions changed during the sanctioned years, this change should have some identifiable origin. The Hovi et al. (2005: 489, quoted above) definition of what can make a state change its perspective on sanctions is quite strict: that the sender state makes it "unequivocally clear, via negotiation or a formal decision by an international body, that sanctions will be lifted if the target reconsiders."

According to Hovi et al., a target state's perception will normally change through formal negotiations either between the sender state(s) and the target or because of a statement from an international body. If the Myanmar government changed its perception, this could either be a result of efforts of the sender states to convince it that compliance would in fact lead to a lifting of sanctions, or it could be a result of a concrete event.

Myanmar's direct channels of communication with Western states were limited during the sanction years. In order to undermine the regime's legitimacy, Western states - particularly the United States - obstructed Myanmar's access to international forums such as the international financial institutions. They also scaled down diplomatic representation in Myanmar. The United States downgraded its diplomatic presence in Myanmar to the level of *chargé d'affaires* in 1993, when they removed their ambassador from Yangon (Institute of Southeast Asian studies 2010: 435). The European Union did not yet have common diplomatic representation at that point, but they responded by placing a moratorium on high-level bilateral contact in 1996 (see Table 2.1). This policy of non-engagement does not support the idea that negotiations left the regime convinced that the Western states would reward compliance.

In order to identify a change in the SLORC/SPDC view of the sanctions, I look for developments in Myanmar's contact with Western powers leading up to the reforms. There are two main alternatives when identifying a starting point for the changes in Myanmar. The first is when the 7 Step Roadmap to Disciplined Democracy was launched in 2003.

At that point, US diplomatic involvement in Myanmar had been scaled down since the United States removed its Ambassador from Yangon in 1988, and the sanctions did not allow for meetings between high-ranking US officials and the Myanmar regime. The US also blocked Myanmar from access to international forums (see Table 2.1). There were no formal negotiations or statements to prove to Myanmar that sanctions would be lifted if Myanmar complied. Similarly,

(...) EU policy towards Myanmar was almost exclusively a sanctions policy. Since restrictive measures could be removed only upon political concessions from the military junta, the EU did not give itself alternative tools to address the situation in Myanmar. In other words, the EU did not devise alternative strategies which may have supported or contributed to some form of change inside Myanmar. (Giumelli & Ivan 2013: 28)

The Western policy was one of isolation, not negotiation. US officials had their first direct meetings with representatives of the Myanmar regime in 2007 (Wikileaks 2009), after the first steps of the 7 Step Roadmap had been implemented.

Western states did not embrace the launch of the Roadmap as any plan for genuine democratic reforms and gave it little attention. It was criticized for failing to provide a timetable and for not being inclusive, in particular for not including the NLD in the process (Taylor: 177). Until the election of Aung San Suu Kyi to Parliament in the April 2012 supplementary elections, the reform process was criticized for being non-democratic. In retrospect there is a clear line from the launch of the Roadmap leading up to the elections in 2010 and the supplementary elections in 2012, and continuing towards the upcoming 2015 national elections. However, it was not clear from the onset that the Roadmap would be effectively pursued and result in democracy. The main external support for the Roadmap came from China, who “praised this process as ardently as other states (...) opposed it” (Steinberg & Fan 2012: 160). There is some doubt as to whether the Roadmap was initially intended to lead to the far-reaching democratic changes we have seen since 2010 (Horsey 2013 [interview]). Therefore, it is possible to consider a later date as the starting point for substantial reforms. The Roadmap led to the establishment of a constitutional government, but further reforms undertaken after that was necessary to convince both the opposition and the Western

powers that the new constitutional government was ready for a more democratic system with respect for human rights and with genuine competition among political parties.

The starting point for these further reforms was the November 2010 national elections, which were followed by the release of Aung San Suu Kyi and which led to the establishment of Thein Sein's constitutionally elected government in March 2011. This election came after the 2007 meeting between Myanmar and US officials. The details of this meeting are not public, so we cannot know if the United States expressed any clearer conditions for a suspension of sanctions. While this meeting indicates a US interest in resolving the case of Myanmar, its content is unknown and it seems unlikely that any agreement was made. The United States has since been the most restrictive actor when it comes to lifting sanctions seemingly holding on to the demands made in public statements. Some of the lag in the US response can be explained by the complexity of US sanctions – the restrictions on Myanmar are embedded in a number of laws and amendments. Thus, it would take time to lift sanctions completely. However, the decision to maintain the sanctions against the gems industry and against some individuals in addition to the continued arms embargo (as seen in Chapter 2) indicate that the reforms up to this point have fallen short of US demands. It remains to be seen if developments in Myanmar in 2015 will satisfy the United States further so it lifts the remaining sanctions.

The European Union is unlikely to have had any direct talks with Myanmar concerning the conditions for lifting sanctions. There are no reports indicating secret meetings. The information currently available does not support the idea that the 2010 elections were preceded by any serious talks between either of the Western powers and Myanmar. The moratoriums both states had on high-level diplomatic talks illustrate how sanctions were used alone as a policy tool against Myanmar. The United States and the European Union also did not tend the 2011 transfer of power as a clear sign of a significantly improved human and political situation. The elections were not considered free and fair. However, changes continued at a fast pace after Thein Sein's new government took power.

5.2.1 An alternative way of imposing sanctions: The case of ILO sanctions

The lack of official channels of communication between Western countries and Myanmar left the Myanmar government in the dark as to exactly how much Myanmar would have to change in order for sanctions to be lifted. Richard Horsey claims that

[The Western sanctions policy] was a failed policy, and it was never intended to be an effective strategy. [...] The problem with sanctions wasn't so much *that* they were imposed, but that they weren't imposed strategically. (Horsey 2013 [interview]).

Horsey emphasizes that sanctions were not combined with other diplomatic tools such as negotiations. Horsey (forthcoming) describes the International Labour Organisation (ILO) strategy against Myanmar as an alternative to the Western policies. Like Western states, the ILO responded to the grave human rights abuses in Myanmar with sanctions. However, the ILO only passed a resolution in 1999, after prolonged attempts at negotiation making the threat of sanctions and their demands clear (Horsey forthcoming: 6). The ILO resolution declared that member states should review their relations with the Myanmar. The demands made were limited in scope, focusing on labour rights and in particular the army's habitual use of forced labour.

Further, these measures were followed by continued attempts to help Myanmar meet their demands – including offering Myanmar technical assistance to help it deal with forced labour. This active policy led to negotiations between Myanmar and ILO already later the same year. Horsey is careful not to give ILO full credit for a shift in attitude in Myanmar that happened around the turn of the millennium. However, the concessions Myanmar eventually gave to the ILO suggest that the measures were effective (Horsey forthcoming: 8). This way of using sanctions as a tool in negotiations differs from how sanctions were used by the European Union and the United States. By providing technical assistance, the ILO actions contrast the US attempts to end the drug flow from Myanmar. As seen above, the United States cut off the support Myanmar had previously received to combat drugs smuggling already in 1988, only later to point to the security issues stemming from the drugs trade as an argument for sanctions. The lack of negotiations and assistance accompanying the Western sanctions may imply a lack of

interest in finding a solution to the situation, making the sanctions appear to be primarily punitive.

5.2.2 The role of sanctions since 2011

It is neither possible nor necessary to decisively define the starting point for substantial changes in Myanmar. The reforms happened incrementally, and the implementation of the 7 Step Roadmap from 2003 must with hindsight be seen as a clear part of the road to genuine reform. This chapter has found little support for the idea that genuine reforms only came after a reassurance that this would lead to a lifting of sanctions. However, Min Zaw Oo (2013 [interview]) holds that sanctions had an effect *after* Thein Sein came to power in 2011 and the reform process was in motion. While he holds that the reforms were triggered not by sanctions but by the political elite realising that the old policy had failed, the new government needed sanctions to be lifted because it faced a legitimacy crisis:

The government wanted to demonstrate that it is a legitimate government that is recognised by the international community. [Moreover,] the government had to make sure that the economic sanctions were lifted in order to bring in economic opportunities to people. So their legitimacy comes from both the international community and the Burmese public. This is how the sanctions became effective (Min Zaw Oo 2013 [interview]).

As mentioned above, the 7 Step Roadmap received little international attention before 2011. Since 2011, however, when the first five steps had been taken, the process of change began to impress international public opinion, including the European Union and the United States. As shown in Chapter 2, a number of political leaders have visited Myanmar since 2011, and President Thein Sein has been welcomed to the United States and to several European countries.

With the new interest and cautious optimism for the reform process, both the European Union and the United States reviewed their sanction policies towards Myanmar. The most notable change came with the EU decision to suspend sanctions for one year in April 2012, thereby acknowledging the changes that had occurred. Further, they promised Myanmar that sanctions would be lifted if the reform process kept its momentum for one more year. I cannot conclude that the European Union made it

“unequivocally clear [through] a formal decision by an international body” (Hovi et al. 2005: 489), that sanctions would be lifted if the progress continued. However, I hold that the suspension of the sanctions and promises of lifting them Myanmar maintained the momentum of reform, carry the same weight as a formal promise. I consider this the first time the European Union or the United States made their criteria clear and realistic within a short timeframe. The United States reacted differently than the European Union. While it had been quicker to impose sanctions, it also kept them longer. As of April 2014, it had not yet followed the European Union in lifting them. However, President Obama’s 2012 general waiver of restrictions on US investments in most sectors of the Myanmar economy represent an indefinite suspension of sanctions on these sectors.

Even a critic of sanctions such as Richard Horsey (2013 [interview]) describes them as a “force for change” after Thein Sein came to power. As Thein Sein’s government sought to attract foreign capital, it focused on improving the outside world’s impression of the country. The demands from Western states provided a guideline for the reforms. At the same time, Western sanctions had been in line with demands made by the NLD, which had great support in the country. Thus, complying with Western demands would be popular within Myanmar as well. The Western states’ demands for good governance and respect for human rights were higher than corresponding demands to Myanmar’s neighbouring countries, despite its limited institutions and weak governmental capacity. Myanmar’s human rights reputation increased greatly after Thein Sein came to power. The Western responses, and especially the suspension of EU sanctions, made it reasonable for Myanmar to assume that further compliance would also be rewarded.

To get the sanctions lifted became politically more important after Thein Sein became president. The 2010 election was a crucial step in that it established a constitutional government. The new political structure proved important for the effect of sanctions. Authoritarian political structures are able to push the cost of sanctions away from the elite. The elite is therefore not as threatened by the sanctions as they would have been if they had less control over the distribution of resources within the country. In a non-democratic system like that of Myanmar, the people were kept in control by a large

army. As long as the elite could maintain that system, sanctions hurting the poor did not pose a threat to the government.

This can hardly work in a democracy. If the people hit by sanctions are the ones who decide who should be in government, the government will have an incentive to get rid of the cause of the suffering. Its own political survival will depend on it. Only when Myanmar transitioned towards a multi-party democracy did the sanctions begin to have a significant direct effect on the political elite.

5.3 CONCLUSION

This chapter has analysed the merits of H3. First, I considered whether the threat of sanctions failed because the Myanmar government believed that the sender states would implement and uphold sanctions regardless of any positive response to the threats. Second, I looked at whether this belief changed at some point, which in turn could explain Myanmar's later reforms.

I have found some support for the first element, that Myanmar had reasons to question whether the sender states would lift the sanctions if Myanmar met their demands. The EU criteria for lifting the sanctions were vague, while the US demands were extensive. The demands made were nearly impossible to meet without the regime giving up power. According to Miljkovic's theory, this meant that the regime had no incentive to adapt.

I only found limited support for the second part of the hypothesis, namely that the Western powers at some point made it clear that they would lift the sanctions if Myanmar complied. While the developments after 2011 gained momentum as Western powers resumed communication and started to reward reforms by easing the sanctions, the actual reform process started prior to these changes. The earliest signs of change – the government's launch of the 7 Step Roadmap to Disciplined Democracy and subsequent implementation step by step – was not portrayed as compliance by Western observers. However, they laid the foundation for later reforms, as they helped the elite consolidate power. This in turn let it overcome the threat compliance initially meant to their security, which had been the greatest obstacle to compliance. As these reforms

were a success and Myanmar managed to transform itself into a semi-democracy, sanctions began to have a more direct effect as the cost to the people became important.

The resumption of diplomatic relations gave the Myanmar government confidence that compliance would be rewarded, and this became clearer with the suspension of EU sanctions in April 2012. Thus, H3 helps to explain why the acceleration of the process in the last years, even though it fails to explain the initiation of the reforms that would lead up to compliance.

6. CONCLUSION

This thesis has analysed the effect of Western sanctions on recent political change in Myanmar, to answer the question

Were the political changes in Myanmar caused by the EU and US sanctions?

In order to provide an answer, the analysis has been structured around three hypotheses developed from rational choice theory.

My first hypothesis, H1, was that sanctions initially failed because Myanmar underestimated the Western powers' dedication to impose and maintain sanctions, but that this subsequently changed. I did not find support for this explanation for compliance. The regime's promise of elections in 1989 when the first sanctions were imposed was undermined by the failure to respect the outcome of these elections. Further, the promise to hold elections had many reasons, of which the mostly symbolic sanctions of 1988 are unlikely to have been the most important. Myanmar did not have reason to believe that sanctions would be lifted unless they complied. The sanctions were cheap for the sender states, and the United States had in the past proved willing to maintain sanctions over a sustained period of time. Finally, one would have expected Myanmar to comply sooner if they realised that they had underestimated the threat of sanctions.

In contrast, I have found support for H2: that Myanmar complied after the sanctions were imposed because it only gradually came to understand the total cost of sanctions. According to theory, it will often take time for the cost to become clear to the target in cases like this. This can explain why it took more than two decades before Myanmar complied. As the sanctions increased incrementally over a long time, and as the sanctions in time also came to influence Myanmar's relations with its neighbouring countries, the full cost of sanctions would have been difficult to assess at the onset.

In addition, I have found partial support for H3: that Myanmar initially failed to comply because it was uncertain about whether the sender states would reward compliance with easing the sanctions, but did so when it became clear that compliance would be

rewarded. I argue that the Myanmar government's incentives to comply was thwarted by the uncertainty of how the sender states would respond to compliance. The sanctions against Myanmar were designed in a way that failed to meet existing criteria for how sanctions can succeed. By presenting Myanmar with demands it would be unrealistic that it could meet regardless of its intentions, and by refusing to combine the sanctions with negotiations in the attempt to find solutions, the sender states showed little real interest in the developments in Myanmar. This could point to the sender states using the case of Myanmar to signal a dedication to promotion of human rights to their constituencies. If the real effect the sender states aimed for through their sanctions policy was domestic rather than in Myanmar, the Myanmar government risked that reforms would go unnoticed. For years this was also the case. A change occurred after the 2010 elections and the release of Aung San Suu Kyi, as Western states began to recognise the changes.

The release of Aung San Suu Kyi was the first of the Myanmar reforms that could be seen as compliance with Western demands. The attention from the Western states in turn served to reassure Myanmar that further compliance would be rewarded. At this point the reforms in Myanmar had already progressed far, so this does not explain the initial decision to implement reforms. However, it can explain the momentum the process got after 2010. Since then, reforms in Myanmar have gone beyond what the 7 Step Roadmap entailed, and the regime has been rewarded by restoration of normal diplomatic ties and an ease of sanctions.

In conclusion, I have found that sanctions had an effect in the case of Myanmar, both on Than Shwe's decision to implement political reforms and for Thein Sein's dedication to economic reform and human rights improvements. Sanctions affected Than Shwe's policy-making when its relative cost had increased beyond what was expected. However, this increase in the relative cost of sanctions to the point where it outweighed the cost of maintaining status quo came as a result of indirect effects of sanctions, in particular the increasing Chinese dominance in Myanmar.

Based on both theory on criteria for successful sanctions and the pre-2010 predictions for their effect in Myanmar, sanctions should not have had an effect on the political developments in Myanmar. This thesis has contributed to Hovi et al.'s theory on the effect of imposed sanctions by including indirect effects of sanctions, which in the case of Myanmar tipped the balance of the regime's cost-benefit analysis.

While few of the reforms that Than Shwe initiated qualify as compliance with Western demands— except for the 2010 release of Aung San Suu Kyi and arguably the transition of power – they paved the way for the later reforms. The political changes initiated by Than Shwe made it possible for Thein Sein's government to reform without risking a political backlash. Before the consolidation of the military's power through the 7 Step Roadmap, compliance would have threatened the security of the military elite. This threat removed the military elite's incentive to reform, as they would not have been able to reap the benefits of compliance. Thus, I have considered the plan for reforms that was announced in 2003 as an important starting point for the transformation of Myanmar that would eventually lead to the lifting of sanctions.

When Thein Sein came to power, his policies were a continuation of Than Shwe's reforms. However, he took these reforms further than what was expressed in the 2003 7 Step Roadmap by stepping up the peace efforts and by implementing reforms to improve the realisation of human and political rights. Under Thein Sein's rule, the sanctions got a real direct effect. As Myanmar was transitioning towards a democracy, the opinion of the people became central in a way it had not been before. Under elite rule, the effect of sanctions remained limited as the authoritarian regime could divert the cost of sanctions from the elite to the people. When a regime is not dependent on popular support, even a large cost to the people can fail to compel the regime to change (Hovi 2007: 78). The elite could make their money from trade with Myanmar's neighbours, and had access to ways of overcoming the cost of sanctions. However, under democracy the opinion of the people matters. The new government had to gain legitimacy within the democratic system. The legitimacy in turn came from both improving the regime's human rights record, and from increasing the country's economic prospects. The government could gain legitimacy from its people through

improving their economic prospect. In order to achieve this, the sanctions would need to be eased. Sanctions, in turn, would only be eased if Myanmar complied with Western demands for human rights improvements.

I claim that the success of sanctions was unforeseen. It was unforeseen in that its effect could not have been predicted by the sender states. The sanctions did not alone have a high enough cost to compel Myanmar to change, but its relative cost increased as a result of a complex set of developments during Than Shwe's rule. The increased dominance of China on Myanmar decision-making became especially important. The Chinese presence in Myanmar came about because Myanmar lacked alternative trade partners due to the sanctions. In addition, the military elite consolidated its power in the last decade of sanctions, which decreased the cost of compliance. The direct effect the sanctions came to have for Thein Sein's presidency in turn came as a result of the governmental change. If the sanctions depended on democracy to be effective, they were not an effective tool when they were imposed on a dictatorship.

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